Rencontres in Metz

by DOMINIC GILL

Metz is the handsome, well-fed capital of Lorraine, cockpit of invasion and siege since the 16th century, which to-day with perfect guide-book manners (*flâneries sur les bords de la Moselle, ses jardins et ses promenades fleuris*—offering to her visitors, amid the bustle of commerce and a familiar skyline of grey-towering department stores, a nice complement of 18th-century vistas, some exceptionally pretty churches (including the 4th-century St. Pierre-aux-Nonnains, said to be the oldest in the country), the highest density of expensive bad restaurants I have found anywhere in France.

With admirable sense of artistic duty, Metz also offers herself once a year for invasion by a short festival of *Rencontres internationales de musique contemporaine*, organised by the dedicated husband and wife team of Claude and Ingeborg Lefèvre. Though the Rencontres are international, not cryptic, considering the geography and history of the town, the programmes have tended to favour French and German composers. At my last visit to Metz four years ago, the festival was largely given over to a remarkably well-planned and comprehensive survey of the work of Stockhausen. This year the programme was spread more widely, taking in six composers (all, once again, either from Germany or France), and devoting one or two concerts exclusively to the work of each—excellent scheme, sensible compromise between variety and concentration, which our own SPNM and Park Lane Group could well consider adopting for some future series. (Is it too unrealistic to hope that even we may some day find the resources to organise just one annual, even biennial, festival of contemporary music, for just one long weekend, somewhere in Britain?)

Metz's principal visitor this year, whose ebullient presence and infectious laughter quickly became as much part of the festival scene as his music, was the Argentine-born German composer Mauricio Kagel (b. 1931). No category fits Kagel neatly. In his youth a student of Ginastera, later in Cologne a researcher of electro-acoustic techniques, theorist, humorist, elaborate idealist, Kagel is best known these days for his experiments in the ambiguous quasi-musical field that lies somewhere between "pure music" and "pure theatre."

His new work, *Quatre degres*, specially commissioned for the festival, took up the whole of a long but fascinating first evening in the Theatre Municipal. Kagel's four degrees are the two poles of music and theatre, and the two halfway stages, as one approaches the other. In between, *Dressage*, for a trio of wooden percussion instruments, was one of these halfway stages: "Correspondences" between the world of music and that of the circus reveal themselves quite often. Above all, serious music with its avoidance, fragment tétratise, of all expressions of amusement, is a good example of the permanent and reciprocal dressage — training—of composers, organisers, interpreters, and not least the public itself."

Dressage is a characteristically exuberant essay, carefully and subtly worked in its musical detail, but coloured with the kind of humour I personally don't find terribly amusing—uneasy hybrid, reminiscent of the ruder moments of Kagel's *repertoire*, which we saw in London a few years ago, of slapstick, dumbshow and elementary or more precisely, elementary-school farce. *Presentation*, the other halfway stage of *Quatre degres*, was altogether wilder, stranger, and more compelling: a surreal tragi-comedy for actor and musician, the one a Master of Ceremonies (superbly played by Guillermo Gallardo) forced by the late arrival of the evening's star to extend his short introduction to an increasingly hysterical preamble of half an hour's duration; the other a pianist (Aloys Kontarsky), tucked away at the side of the stage, spinning out unending loops of sublimely irrelevant manic-repetitive music.

The two poles of music and theatre were more clearly defined — and for that very reason perhaps the more pungent and direct: *Dennenagement*, for eight stage-hands of the Theatre, was a delight: a dumbshow which revealed a wealth of comic talent from behind the scenes whose exploitation was clearly long overdue. *Variete* was the last and longest of the four numbers: a juxtaposition of pure theatre, and pure music from a little pit band, which held us all transfixed for more than an hour. But the dice were weighted. We all love conjurors and balancing acts. Kagel's non-stop sequence of vanishing balls and cards, rope-tricks, dozens of doves in top-hats, and a superb show of knife-balancing, brilliantly executed by local magicians, accompanied by music from a six-piece band, bittersweet amalgam of popular idiom and avant-garde manners, was a sure-fire winner.

Where exactly the work left (or was intended to leave) us was less sure. Not, indeed, with any clear idea of principles or techniques; or (for all the impressive verbiage of Kagel's own programme-note) with any more lucid grasp of those elements, and their elusive meeting-points, which constitute music and theatre. The next morning, at another all-Kagel programme, we heard an early piece, *Sonant* (1961), for guitar, harp, double-bass and membranophone percussion. It was bright, and lively, and full of activity and it made me restless for its very lack of centre, of poise, of magical breath. *An Tasten* for piano was a commentary on romantic keyboard language, reminiscent of no particular composer, though for its wryness of manner, recognisably Satiesque, a fleeting vision, haunting while it lasted: and *MM 51*, a piece of "film-music" for piano, accompanied by a ghostly-gliding metronome, and skirls of mad laughter from the performer. Both works, like *Sonant*, like *Quatre degres*, bore the marks of a genuine and original creative talent—impressive at first blow, often puzzling at second meeting. It was significant, perhaps, that at the second, second performance of *MM 51* nothing further emerged: the delight of the audience was not sharpened, but blunted.

A late-evening concert in the Palais des sports, played by the Philharmonic Orchestra of Lorraine under Michel Tabachnik, offered a programme of works by Xenakis. We heard the composer's op. 1 from 1955, *Metastasis*, still striking for its adventurous spirit, and its breaking of new orchestral ground; *Akrata*, quick taut essay for 16 wind instruments; the noisy *Psappha* for solo percussion, delivered with great energy by Sylvio Gualda; and the still noisier electronic-tape of *Bohor*, played so loudly as a finale that the sound actually drove me from the hall. But there was also a new work, *A colone*, for male chorus, strings and brass, which made a strong impression: like the family of *Hiketides*, *Medea*, *Polla-Ta Dhina*, and the stage-music for *The Oresteia*, a re-creation of antique ritual, insistent, rugged, built on sombre colours, shot through with sudden shafts of energy, brilliant points of light.

The third concert of the Rencontres was given to another Argentinian-born composer, now living in France, Carlos Roqué Alsina (b.1931). The programme did little to quicken esteem for Alsina's music, already familiar to French festival-goers, but little-known outside his adopted country: at its best, bright, brash and effective; at its worst, no more than woodenly pretentious. I reviewed his *Senales* for piano and chamber orchestra at La Rochelle earlier this year: an agreeable virtuoso confection of slender substance, but undeniably glossy plumage. At Metz we heard *Senales* again; and a pair of new jokey pieces, *A letter* for wind quintet and *Decisions* for chamber orchestra, which made the gauchest humour of Kagel sound as funny as Woody Allen and the Marx Brothers rolled into one—bilious, fragmented offerings, full of busy gimmick and complacent puppy-tricks, which left us all not so much puzzled, as stunned.

Gilbert Amy (b. 1936) was a pupil of Milhaud, Messiaen and Boulez, and succeeded Boulez as the director of the now-defunct Domaine Musical in 1967. Metz's afternoon programme of his music, a quartet of works given by the Lorraine Orchestra under the composer, from the early *Trajectoires* for violin and orchestra (1966) to a new commission for orchestra called *Stretto*, made a refined and civilised foil to Alsina. Even too powerfully civilised. The working is unfailingly cogent and neat; the ear for instrumental combination finely tuned; the intelligence discreet and purposeful. Yet for all the copious "quality" of the music, there seemed to be no single high point, no sharp moment of special magic or character, to fix as guide or reference. As an event within the framework of the festival, it was a relief of a kind; but it was inescapably dull. Once again, and not for the first time, we thought back to the programmes of Kagel: flawed perhaps, but never dull, by contrast irresistibly adventurous, alive.

As well as the traditional list of concert programmes this year, Metz also presented a pair of "multi-medium" events: the first, by the German composer Josef Anton Riedl, a sincere but confused, and confusing, attempt to combine instrumental ensembles with tapes, slides and film; and the second, by Vinko Globokar, the festival's finale. Globokar's *Carrousel*, set up around a circular central dais in the Palais des Sports, began splendidly with an unexpected entrance by the town's brass band, a whirl across the hall to watch a troupe of square-dancers and a children's accordion band, an amateur brass quartet, the Metz women's choir, and a spoof "official" speech about the state of the Arts to-day — opportunity here for heckling, whistling and general hubbub which most of the audience were quick to take.

But then *Carrousel* became serious. On the central dais, a group of musicians began to play Globokar's *Laments of translations* of poems by Sanguinetti (uttered from the four corners of the hall (and why, as many asked, but none could discover, why Sanguinetti?) At the same four corners, from the mouths of young actors and actresses, a melodrama began to unfold; the *remise en question* we waited for and pulling a bucket over her head to sheer misery. No to hermetic art! to musical fetishism! to aesthetic reverence! to the commercialisation of festivals and music! The air above our heads thickened with amplified charge and counter-charge—and dispersed, without a moment's sharpness or force, into the darkness of the rafters. Between the freshness, innocence and vivaciousness of the evening's introduction, and the very tired sophistication of the composition itself, another sad contrast—*remise en question* indeed, although not by a thousand avant-garde pages that which the composer intended.

Covent Garden

The Taming of the Shrew

by CLEMENT CRISP

Shrew may not be a particularly strong ballet—frenzy is sometimes its substitute for dramatic action—but its two central roles offer golden opportunities for dance acting. On Saturday night, when the piece returned to the Opera House repertory, Katherina and Petruchio were taken by Merle Park and David Wall, and neither put a foot or a combative fist wrong. Park is now a wonderful Katherina. She is not afraid of playing the first and entirely unsympathetic scene, in which she belabours all and sundry, with an almost neurotic anger,

The Entertainment Guide is on Page 36

so that when the taming starts we appreciate the depth of the girl's feelings that have been so well repressed. There comes a moment when Park smiles—and she has a most appealing and radiant grin—and Petruchio's heart (and ours) cannot resist. From then on Park catches all the humour, and the need for sympathy, in the scenes in which Katherina is badgered, maltreated, and generally put-upon, and occasionally takes her revenge on the world. Storming through the wedding, using a lily as a combined cosh and whisk-broom; or extraordinarily vulnerable, curled up in a fire-place and pulling a bucket over her head in sheer misery, Park is not to be gainsaid as a dance comedienne of rare quality. Her dancing is no less appealing, with a wiry resilience to cope with the knock-about humours, and speed, clear line and intense musicality—this last wasted on a score that is hardly musical at all.

From David Wall comes an ideally matched partner: dashing, resourceful in comedy, and with the male chauvinism of the part redeemed by immense charm. So many heroes in ballet are tiresome—Albrecht a cad; Siegfried a ninny—that the principal male dancer must expect to be an advocate for dubious moral qualities. Wall succeeds in making Petruchio the most agreeable of men, and he dances with a fine energy and sureness of characterisation: the drunk scene in Act 1 and the dinner-table brawl were both given with a bright physical and emotional allure.

In secondary roles, Marguerite Porter was a sweet Bianca, and Julian Hosking a new and ideally romantic Lucentio. Bianca's other suitors were the original cast of Michael Coleman and Derek Deane. Both are very funny, with Coleman looking more than ever like Garbo's Queen Christina after a heavy night, and Deane in a permanent paroxysm of flouncing and sneezes. The entire performance was zestfully done — *Shrew* has to be played fast lest we notice its weaknesses — and with Park and Wall as its stars it remains a very merry evening's entertainment.

String quartet competition

The Portsmouth City Council has given the go-ahead to plans for establishing an international string quartet competition in the city. The first competition will be held from April 20-26, 1979, and thereafter every three years. Financial backing has been given to the competition from IBM (United Kingdom) and The Schroder Life Group.

The artistic director will be Yehudi Menuhin in collaboration with Yfrah Neaman. The aim of the contest will be to encourage young musicians. Seven prizes totalling £8,050 will be awarded including a personal prize of £500 from Mr. Menuhin for the most promising quartet. The first prize winners will give a concert at the Elizabeth Hall, London, on April 29, 1979, and public performances in the provinces are being arranged for the other prizewinners.

The jury will be chaired by Yehudi Menuhin.

All enquiries should be addressed to Dennis Sayer, Competition Administrator, Civic Offices, Portsmouth, PO1 2AL.

Elizabeth Hall

Mitsuko Shirai

Friday night's concert by the Geraint Jones Orchestra presented the young soprano Mitsuko Shirai in cantatas by Bach and Pergolesi; she is giving a lieder recital (also promoted by the Kirckman Concert Society) in the Purcell Room to-night, and if this lives up to the promise she showed on Friday, it should be well worth catching.

The diminutive Miss Shirai has a well-rounded but keenly accurate soprano voice, exceptionally well-placed in every register. Though she at present lacks the projection and possibly the confidence for such a large auditorium as the Elizabeth Hall, the sensitive inflection of her line in Bach's Wedding Cantata "Non sa che sia dolore" was simply and affectingly communicated. She was a little unsmiling in the cheerfully un-Bachian final aria, "Ricetti gramezza," but the sound was never static (as with too many pure-voiced sopranos); it was always alive with movement.

She fared even better in the drama of Pergolesi's *Orfeo*, delivering the arias with a tense, tight control which gained extra force from her small size: though she was little, she could be fierce, and this was vividly effective in the trills and sequences of the second aria.

Quite what the cantata was about I am not sure; Miss Shirai's diction was not of the clearest, but she should still not have had to fight against the philistinism of a programme sheet which provided not a word of text or translation. (Marginally less unhelpful, I suppose, than for the Bach: no translation and five mistakes to as many lines of movement titles.) The strings of the Geraint Jones Orchestra, here and in two Brandenburg concertos, were ungratiating; William Bennett's flute solos provided welcome relief, but surely the time is past when flutes can be accepted as a tolerable substitute for recorders in the Fourth Brandenburg?

NICHOLAS KENYON

RSC return to Newcastle for six-week session

The Royal Shakespeare Company is to return to Newcastle-upon-Tyne next year for a six-week season from February 13 to March 25. This follows the company's first extended season there this year.

In 1978 the season is longer with, this time, 11 productions over six weeks. Six productions will be seen at the Theatre Royal, five at the Gulbenkian Studio attached to the University of Newcastle. Of the studio productions one has been specially mounted to receive its opening performances in Newcastle before being seen in London. The other ten productions come direct from the RSC's two Stratford theatres, the Royal Shakespeare Theatre and The Other Place. After Newcastle all the productions will become a major part of the company's new London season.

The six plays in repertoire at the Theatre Royal will be *As You Like It*, *Henry V*, *Henry VI parts 1, 2 and 3*, and *Coriolanus*.

The five smaller-scale productions (from February 15) at the Gulbenkian Studio are: Pam Gems' *Queen Christina*, John Ford's *'Tis Pity She's A Whore*, Paul Thompson's *The Lorenzaccio Story*, and David Rudkin's *The Sons of Light*. For the first time an RSC production will receive its opening performances in Newcastle before being seen in London. This will be Strindberg's *The Dance of Death*.

Jazz Brunch at the Portman Hotel

The following artists will be appearing at the Portman Hotel's New Orleans Jazz Brunch during the next few weeks: tenor-saxist Bud Freeman and the Lennie Felix trio, December 11; singer Beryl Bryden with the Eric Lister Swingtet, December 18; Max Collie's Rhythm Aces, January 1; the Lennie Felix trio with trumpeter Freddy Randall, January 8. Music is from 12.00 until 4 p.m.

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A PRIZE PAPERBACK

Festival Hall

Bruckner's Ninth

by RONALD CRICHTON

Kubelik chose Bruckner's Ninth as the principal work in the London Symphony Orchestra's concert last night. The performance added another fine reading to the spasmodic but presumably not unintentional succession of the composer's symphonies heard on South Bank in recent weeks — all, I think, under different conductors. Kubelik's ever-active left hand, encouraging, refining, shading the lyrical line of which he is a master, suggests a conductor not primarily interested in structure. The massive construction of the three mighty movements was easily detectable, but the emphasis lay on the abundance and quality (which increasing age had done nothing to lessen) of Bruckner's invention.

Also strongly emphasised was the daring of his harmony, the degree of relentless dissonance at the end of the first movement and again at a climactic point in the Adagio—passages usually overwhelming for all their logical preparation, but seldom so much so as last night, with the LSO brass imposingly blended, the trumpet tone not too predominant and the new tenor tubas (a joint gift from industry to the London and City of Birmingham Symphony Orchestras) adding their quota. The scherzo was ferocious, and here, the first time round at least, the blend moved towards the old blare.

This conductor's long years in Munich have given him a penchant for a slightly heavier overall sound than for instance the trio of the scherzo needs, but the same kind of colour was undeniably effective in those moments (letter X in the first movement of one of them) where Bruckner seems to be picking up fragments or retracing threads mislaid after one of his shattering earthquakes. The preparation for the end of the slow (and fortuitously last) movement—the two pages of quiet benediction in E major—was not entirely happy. The final moments arrived rather suddenly.

The other work on the programme was Mozart's Prague Symphony, played on the whole strongly, without great charm of tone, but always alert and interesting, with a sort of distinction of feeling. Presumably Bruckner's heavenly lengths dictated the absence of repeats in the Mozart except (surprisingly) in the finale, where they were welcome for the care expended on Mozart's play with syncopations, but would have been more welcome still in the two preceding movements.

Bush

Fosdyke II

by B. A. YOUNG

In *Fosdyke II*, the second drama that Bill Tidy and Alan Plater have extrapolated from Mr. Tidy's strip *The Fosdyke Saga*, every imaginable cliche of popular humour is recklessly drawn in. The scene is Lancashire, where Sir Josiah Fosdyke, the Lancashire tripe king, is fighting an internecine battle with his sinister rival, Roger Ditchley.

Fosdyke sets aside every Friday for gloating, but in his business hours he organises such triumphs as setting a tin of Fosdyke's tripe on the summit of Mount Everest, or organising a competition to find a husband for his daughter Victoria. Meanwhile Ditchley imports drugged tripe from Hong Kong, digs up an existing wife for Victoria's choice and a fatal influence, the Lancashire Lothario, to weaken Fosdyke's all-female production line, encourages a mad scientist in his creation of the monster Tripenstein or arranges for a religious maniac to predict Armageddon for the moment when Fosdyke's wife and daughter are to be admitted as the very first members of the Manchester Tripe Exchange.

Seven players take some 35 parts, often switching from one to another simply by snatching a fresh hat from the piano. There are catchy songs with music by Bernard Wrigley and lyrics made with unexpected polish. The audience is not only ready but eager to join in the choruses, and to throw bits of something like wet sponge—if this is what Fosdyke's tripe is like, I'll stay with steak-and-chips—at Lady Fosdyke and Virginia as they undergo the Ordeal by Tripe.

It is all a great revival of pure music-hall fun, and under Mike Bradwell's direction it goes at a cracking pace, without even slowing down. Micky O'Donoughue plays Sir Josiah and Jim Broadbent his slimy, grimy rival; Marie Green is Fosdyke's wife and Hazel Clyne his daughter.

I defy anyone not to enjoy this glorious rag.

Bach at St. John's

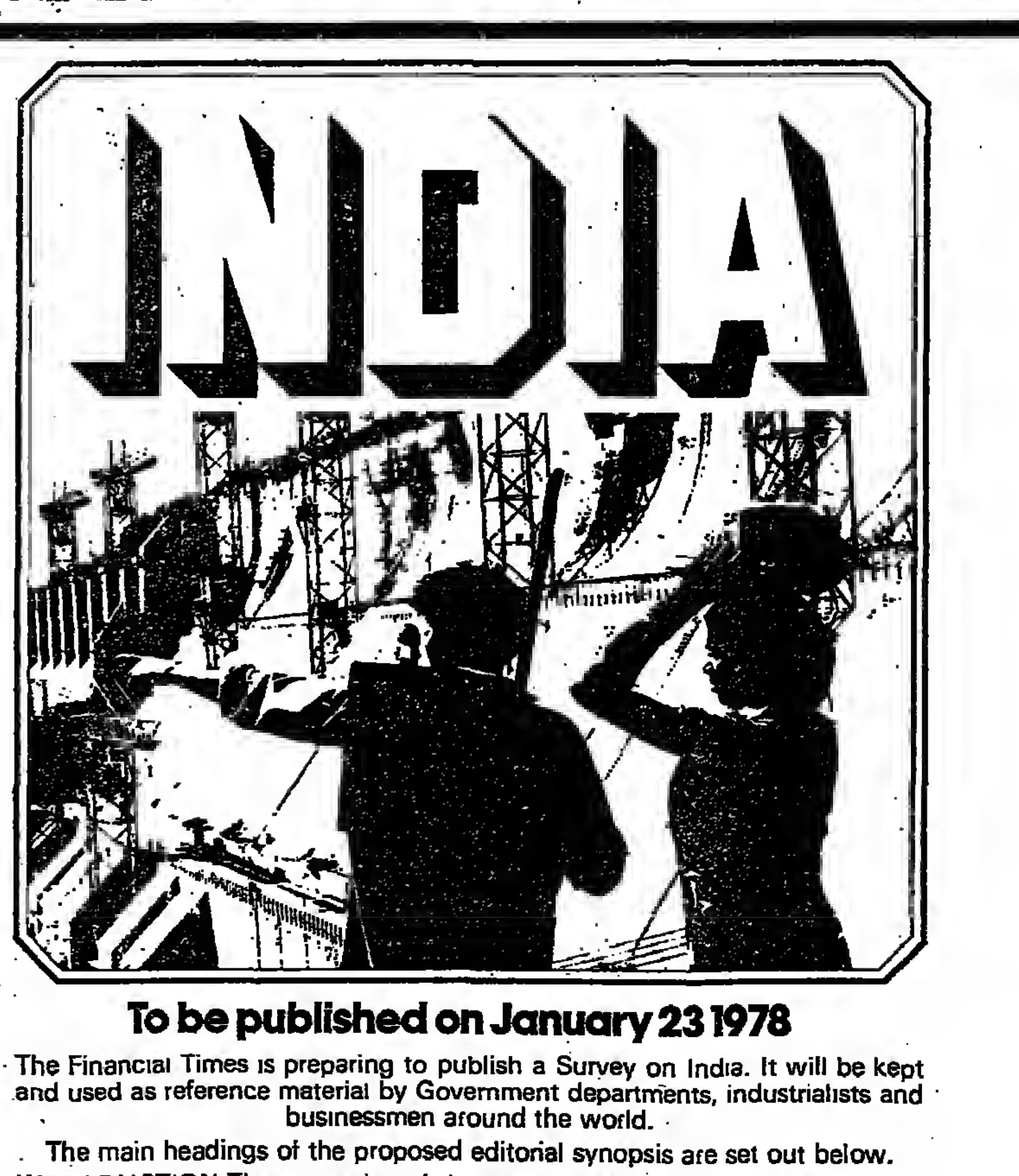
Once again this year the Orchestra of St. John's Smith Square are presenting a series of early-evening Bach concerts in the weeks before Christmas under their conductor John Lubbock. Three programmes bring together an assortment of Bach concertos — opportunities for individual members of the orchestra to shine in solo roles —with a complete cycle of the six Brandenburgs.

On Friday evening I made the mistake of sitting in the middle of the hall, where the acoustic of St. John's, never kind to orchestras, is at its fullest and most reverberant. The more complex brass and reed combinations of the Brandenburg no. 1 were badly blurred; from time to time the cold air of the church took its usual toll of wind intonation. But spirits were high, and the performances buoyant enough to compensate for passing imperfections. It was good to hear a real *violino piccolo* used in the first Brandenburg—even if it's only a three-quarter size violin tuned up a third, the contrast of timbre is telling. The sixth Brandenburg came across with energy and style, though without a conductor, rhythmically a shade blunt.

For the second half, I moved to the back of the hall where the sound is drier. Nicholas Kraemer was the soloist in the D minor harpsichord concerto, which he delivered (if not always with perfect safety) with fluency and relish. The orchestra came last to the second Brandenburg, the outer movements fast and gay, the trio of the andante eloquently intertwined, sustained by a fine quartet of soloists, among whom notably the sweet-voiced F trumpet of Michael Laird. Enjoyable series, strongly recommended. The second and last concerts are on December 13 and 22, at 6.30. Sit as far back as you can.

DOMINIC GILL

A FINANCIAL TIMES SURVEY



To be published on January 23 1978

The Financial Times is preparing to publish a Survey on India. It will be kept and used as reference material by Government departments, industrialists and businessmen around the world.

The main headings of the proposed editorial synopsis are set out below.

INTRODUCTION The restoration of democracy after 19 months of emergency rule: problems and priorities facing the Janata Government: the changing Indian scene.

■ POLITICS ■ THE ECONOMY ■ FOREIGN POLICY ■ TRADE ■ FOREIGN INVESTMENT ■ BANKING ■ LABOUR ■ PLANNING ■ INDUSTRIALISATION ■ AGRICULTURE ■ POWER and IRRIGATION ■ OIL ■ STEEL ■ PETROCHEMICALS ■ FERTILISERS ■ TEXTILES ■ JUTE ■ TEA ■ TOURISM ■ AVIATION ■ TRANSPORT ■ MARINE PRODUCTS

The proposed publication date is January 23. Copy date is December 12.
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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

The content and publication dates of Surveys published in the Financial Times are subject to change at the discretion of the Editor.

WORLD TRADE NEWS

Hong Kong accepts EEC accord with misgivings

HONG KONG, Dec. 4.

HONG KONG to-day reacted with resignation to an agreement signed yesterday with the European Economic Community restricting the British colony's textile industry, which employs half the work force in Hong Kong.

Acting trade and industry director Bill Dorward commented: "This export control agreement is the lesser of two evils and I emphasise very much on saying the two evils."

The five-year agreement could cause the loss of 20,000 jobs and $HK1bn. (S215m. U.S. dollars) in trade opportunities. It was initialled in Brussels after seven weeks of tough negotiations.

Officials here have accepted the agreement as preferable to any import restrictions imposed by the EEC.

John Beck, who did most of the actual negotiating for the EEC, said the reductions would hit only four items: shirts, cotton cloth, trousers and knitted underwear.

According to the EEC's chief negotiator, Tran van Thinh, total Hong Kong exports of textiles to the EEC will be permitted to rise to 153,500 tons in 1978, from 146,500 in 1976. This is an increase of more than 5 per cent. For the following years until 1982, he said, a rise of 6 per cent. will be permitted each year. Hong Kong will be allowed to ship only 76,000 tons to Western Europe of eight "sensitive" products, he said. In 1976 the total for these products was 83,000 tons.

The Hong Kong Government office in Brussels issued a statement made to the Colony by the Acting Governor, Sir Denys Roberts. "We have accepted this outcome reluctantly and with many misgivings," he said.

Agencies

Venezuela seeks aid for $10bn. steel plant

By Joseph Mann

CARACAS, Dec. 4.

IN A surprise move, the Venezuelan Government has begun to seek new partners in a $10bn. steel project, in which the British Steel Corporation is involved, planned for the western State of Zulia.

The Complejo Siderurgico del Zulia (Zulia steel complex), a Venezuelan Government project which eventually would be capable of producing 5m. tonnes of liquid steel per year, is looking for investors interested in becoming partners in the project.

Until now, it was understood that financing would come from Treasury funds or credits obtained abroad, and that the Republic of Venezuela would be the owner of the facility. Advertisements appearing here this week, though, ask that companies or consortia interested in becoming partners in the Zulia steel mill pick up pre-selection material at the main office of the holding company which is managing the project—Corpozulia. Corpozulia is a Government-owned regional development agency based in Maracaibo.

The British Steel Corporation recently signed a management agreement with Corpozulia for engineering, technical and operating services during the construction of the mill, and Atkins Planning is also involved in the project.

The search for outside partners apparently signals an abrupt change in the Government's earlier plans to develop the steel facility on its own. In putting together its other major industrial schemes, the Government has funded projects with its own capital, and has sought extensive credits abroad.

For aluminium plants in Ciudad Guayana, though, Reynolds Aluminum and a group of Japanese investors are junior partners with the Government on two major projects.

The Zulia steelworks, with an overall cost estimated at around $10bn., will clearly require major capital transfusions. According to current plans, it will be assembled in stages over about 12 years.

Under a tight schedule, pre-selection information for potential investors should be obtained from Corpozulia before the 7th of this month, the advertisements say, and partnership proposals are to be handed to the agency by December 22.

New entry in diesel van market

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

A NEW diesel-engined contender in the competitive European light van market will be launched next spring by Iveco, the commercial vehicle group in which Fiat has an 80 per cent. interest. It is expected to be followed by similar vehicles from Alfa Romeo and Renault Industrial Vehicles.

The van is the first new product to be based on the range of diesel engines now being produced by these three companies in a co-operative plant in South Italy.

This facility, built at a cost of $250m., gives Iveco and its associates the ability to compete in the diesel engine sector of the light van market which has been growing extremely rapidly in Europe in the last three years.

A number of new products have already been launched to take advantage of this growth, including vans from both Volkswagen and Mercedes and a new diesel-engined version of the Bedford CF model. Ford is also planning a facelift for its Transit model, by far the most successful model in this field.

Preliminary indications are that the Iveco model be made in Italy will be aimed at the 2.7 to 4.2 tonne weight range, giving it more in common with the Volkswagen LT vehicle than the new Mercedes or the Transit, both of which are mainly directed at slightly lighter weights.

It is expected to use both the 2 and the 2.5 litre engine produced by Sofim, the joint venture engine company. Production will probably be aimed at about 30,000 units a year in the early stages.

Iveco's move into this sector of the European commercial vehicle market is a further sign of the trend towards integrated product ranges in the big companies. Most of the major concerns are now manoeuvring into a position where they can offer a full range of vehicles from the lightest to the heaviest weights.

Export finance scheme

FINANCIAL TIMES REPORTER

NEGOTIATIONS between the Treasury and the clearing banks on new arrangements for financing fixed-rate export credits in sterling have now been completed and details are expected to be announced soon.

The new arrangements replace the previous agreement which ended in October, but the Export Credits Guarantee Department denied yesterday that they would alter the system under which most large buyer credit deals must be financed in foreign currency.

The foreign currency scheme, introduced in an attempt to reduce the cost to the Exchequer of refinancing sterling loans, has been successful in this respect, but has met with some opposition since sterling regained strength.

It is therefore probable that the new agreement, expected to be announced within ten days, will be linked with the foreign currency scheme in a way which will allow more flexibility for exporters.

Although the burden on the Exchequer in bridging the gap in interest rates (between ECGD rates and market rates) is being helped by the foreign currency scheme, virtually all new fixed-rate credit in sterling is now the Exchequer's responsibility.

The clearing banks provide this money to the extent of 22 per cent. of their non-interest bearing deposits, and subsequent amounts are provided by the Treasury.

World Economic Indicators

(TRADE STATISTICS)

		Oct. '77	Sept. '77	Aug. '77	Oct. '76
W. Germany DMbn.	Exports	24.7	23.2	20.9	22.8
	Imports	19.9	19.5	18.4	19.2
	Balance	+4.8	+3.7	+2.5	+3.6
Japan $bn.	Exports	6.93	6.69	6.432	6.014
	Imports	5.08	4.997	5.29	4.885
	Balance	+1.85	+1.693	+1.142	+1.129
U.K. £bn.	Exports	2.768	2.916	2.767	2.222
	Imports	2.737	2.836	2.645	2.582
	Balance	+0.031	+0.080	+0.122	−0.360
France Frs.bn.	Exports	28.038	28.266	26.992	24.244
	Imports	27.911	27.845	28.845	27.585
	Balance	+0.127	+0.421	−1.853	−3.341
U.S. $bn.	Exports	9.190	10.916	9.563	9.728
	Imports	12.288	12.631	12.232	10.423
	Balance	−3.098	−1.715	−2.669	−0.695

BRITISH TRADE

Exporters face up to stronger pound

Britain's trade in manufactured goods with Western Europe is improving, but there are fears about price competitiveness due to sterling's strength. LORNE BARLING looks at the prospects for U.K. exporters.

A SERIES of export conferences held all over Britain over the past 18 months has been aimed at getting down to the roots of Britain's chronic inability to hold her competitive position in world export markets.

Discussion at these conferences, held during an extended Export Year, has been detailed in the analysis of the successes and failures of participating companies, but the answers to the underlying problem of Britain's trade performance remain as elusive as ever.

Perhaps by design, the conference programme ended last week with Western Europe, one of the most successful markets for Britain in a year which has so far recorded an 11 per cent. increase in exports volume to work markets. Last year the U.K. trade deficit with Western Europe in the key sector, manufactured goods, fell to a mere £129m. compared with £685m. in 1974, and exports to the EEC grew by 46 per cent. on value.

This improvement was maintained in the first six months of this year when the U.K. exported £8m. more manufactured goods to Europe than were imported, and Sir Derek Ezra, chairman of the British Overseas Trade Board's European Trade Committee predicted recently that this would soon become a consistent surplus.

Although this small surplus is a drop in an oceanic annual overall deficit with Europe of around £2.5bn. in visible trade (mainly accounted for by food imports) it is encouraging for manufacturers, many of whom believe that success in Europe is a crucial yardstick for competitiveness in the rest of the world.

It is argued that the recent improvement in exports has come about largely as a result of sterling's weakness against the main European currencies and the lack of demand in the U.K. domestic market. If this is so, exporters may be correct in thinking that a strong pound and a domestic boom will create problems for them.

In the past, the tendency in these circumstances has been to meet additional home demand at the expense of exports, but there is now evidence to suggest that many companies have made a long-term commitment to export markets and are aware that additional capacity must be available to meet domestic demand as well.

Their commitment, in the form of overseas assets and marketing expenditure, in addition to the increasing tendency to develop products specially for foreign markets, is in many cases too valuable to be thrown away at the first sign of shortages in the U.K.

As British trade officials point out, it took British companies ten years to penetrate European Free Trade Association markets (only to find they were out in the cold). Similarly, France and West Germany have taken many years to get into each other's markets, but now Germany supplies 21 per cent. of French imports, and France 12 per cent. of Germany's.

Britain, by contrast to the high level of intra-European trade, supplies only 5 per cent. of Western Europe's imports. This percentage, it is suggested in Whitehall, should be doubled in the next five years if Britain is to take full advantage of EEC membership. After an historic shift away from traditional Commonwealth and former Commonwealth countries, commitment to these new markets is regarded as vital.

Under the Government's industrial strategy, being co-ordinated by the National Economic Development Office, industry is being coaxed — through its own involvement in identifying problems—to avoid one of the most persistent and damaging trade phenomena, the sucking-in of imports which invariably occurs when domestic demand picks up after a recession.

Early last year NEDO, in anticipation of such an upturn, sought from its sector working parties (industry groups including management and unions) indications of where bottlenecks would be found if economic activity suddenly increased, and a wide range of precautionary actions were put in band in anticipation of a boom which never came. From mid-1976 onwards, the SWPs have been examining the medium-term problems, specially in relation to overall competitiveness.

In particular they have been asked to examine four main questions in relation to their industries: What is a reasonable market share to aim at? What increase in competitiveness is necessary to achieve this? What share may reasonably be achieved in the medium term? And finally they have been asked to consider the implications of higher output for resources such as production capacity, technology employment and finance.

At the same time the SWPs are trying to identify areas where imports are unnecessarily high and looking at ways of promoting better links between British buyers and suppliers, in line with import substitution policy.

NEDO believes there is great scope for U.K. companies to improve the performance of domestic suppliers of components or materials. This, it admits, would involve a sustained effort on the part of both buyers and suppliers with the aim of developing British sources of supply which are capable, on the objective test of performance, of replacing imports.

The next round of reports by the SWPs are due to be discussed by the council in February, and the findings will be made available to interested parties such as the CBI and TUC. But it appears that a period of economic stability is essential if the main recommendations are to be implemented. A boom in the economy and an increase in consumer demand could, as far as the trade aspect is concerned, worsen the very problems which need to be solved.

On the question of sterling's influence on exports, NEDO points out that since the mid-1960s it has been suggested that exchange rate adjustments can cure balance of payments deficits and create export-led growth, but it points out that sterling's fall in value since then has done no such thing.

To the contrary, the position seems to have grown worse with higher unemployment, larger and more continuous balance of payments deficits, a persistently low rate of growth and low investment.

One of the conclusions reached in a recent NEDO study on international price competitiveness is that export market share depend on a complete marketing strategy developed over a number of years. Such a strategy, it is claimed, is unlikely to be altered by short-term exchange rate changes, which are more likely to be treated as windfall profits.

Moreover, it was pointed out last week by Mr. Michael Meacher, Parliamentary Under Secretary of State for Trade, the effective exchange rate is now only a little more than one per cent. higher than the rate when it was "uncapped" and is no more than 6 per cent. above its level towards the end of last year.

He also suggested that experience over the past two years showed that changes in exchange rate had surprisingly little effect on the competitiveness of export prices, while exporting had become more profitable compared with home sales.

But perhaps more important, despite sterling's movement, Britain's competitive strength in trade in terms of underlying unit labour costs appeared to be substantially greater than it was two years ago.

The most obvious example of a strong currency failing to slow down exports remains West Germany, which has shown that quality of product can be the most important selling point; similarly Japan, though by different marketing methods, has proved that the high value of the yen is hardly an insurmountable problem.

These two countries have been faced with their respective currency values as a by-product of their success as manufacturing nations, but Britain may well be landed with a strong pound for some time to come, as a result of North Sea oil revenues, and have to live with the level of competitiveness its industry can achieve.

Nevertheless, given that NEDO's assumptions about price competitiveness are correct, a simple rise in sterling exchange rate is not necessarily regarded as a major threat to exports.

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New fishing plan for India

NEW DELHI, Dec. 4.

THE INDIAN Government has approved the import of 30 trawlers worth R400m. (about £27m.) and is considering proposals for chartering another 65 trawlers.

This is part of a decision to run down the growing foreign exchange reserves on the basis of a high-level committee's recommendations.

The imports will help launch a large programme for deep-sea fishing in India's exclusive economic zone and will be made mainly from the U.S., Japan and Holland.

The importers, which include Government agencies, have been told they must confine their fishing to areas beyond six kilometres of the coast and to at least 30 kilometres out so that small fishermen are not affected.

Among the applicants for trawlers are multinationals like India Tobacco (subsidiary of Imperial Tobacco), Union Carbide and Hindustan Lever.

All are anxious to diversify into approved fields to comply with the Foreign Exchange Regulation Act which required all foreign companies to dilute their equity holdings to a minority unless they expand into areas coming under "sophisticated technology" or exports or both.

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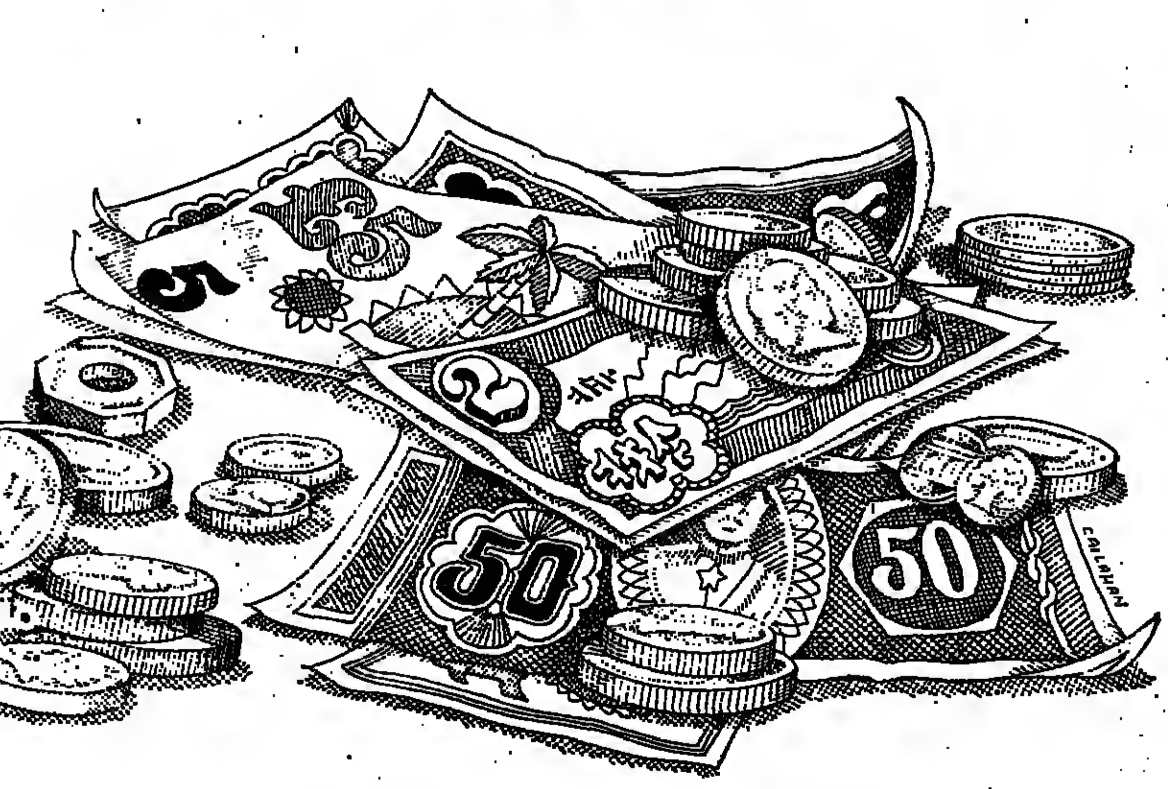

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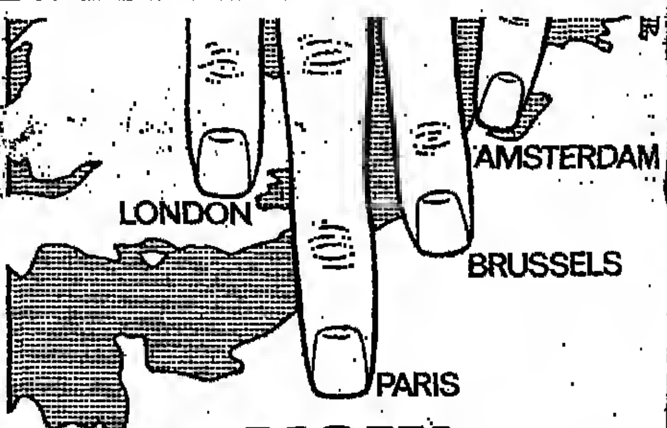

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July 22, 1977

OVERSEAS NEWS

U.K. troops in Bermuda; 'more ready if needed'

BY JOHN McCAUGHEY

THE FIRST contingents of 150 men from the 1st Battalion, Royal Regiment of Fusiliers, were due in Bermuda last night to help local police and reservists quell the week-end rioting and arson in the colony that followed the execution on Friday of two convicted murderers.

Earlier, 80 men of the Royal Regiment of Wales flew in from Belize. A Foreign Office spokesman said in London yesterday that more troops would be put on standby if necessary.

In Bermuda a Government spokesman said the British troops would be kept in the background and off the streets except in emergencies. But the Opposition leader, Lois Browne-Evans, accused the Bermudan Government of over-reacting.

A night of heavy rain on Saturday brought some respite to the pattern of arson and rioting that has caused millions of dollars worth of damage to the 21-square mile colony. However a dusk-to-dawn curfew ordered by the Governor, Sir Peter Ramsbotham, remained in effect, tourists were confined to their hotels and troops with machine guns patrolled the streets of Hamilton, the island's capital.

The riots have been in protest at the hanging on Friday of two blacks, Erskine Durrant Burrows (33) and Larry Winfield Tacklyn (26). Burrows was convicted of the murder of former Governor, Sir Richard Sharples, and his aide-de-camp in 1973. Tacklyn was acquitted of the same charge but convicted of the murder of two supermarket executives. The executions were the first in Bermuda for 34 years and went ahead despite a series of protest rallies, church vigils and appeals for mercy.

In the riots that followed the executions, more than a dozen major fires were started by arsonists. Three people, including two American tourists, died in one blaze at a luxury hotel. The island's biggest liquor warehouse and a large supermarket were also destroyed. A curfew and state of emergency was declared but the Governor of the island sought the aid of British troops when it became clear that the island's 380-strong police force and the 250 members of the part-time Bermuda Regiment were failing to contain the violence.

Bermuda, which has been a British colony since 1684 and self-governing since 1967, has a population of 55,000, two thirds of it black. Tourism provides more than 80 per cent of the island's revenue and the current rioting is likely to have a serious effect on the industry, especially over the peak Christmas period.

Racial tensions have been rising in the colony since the murder of the former Governor in 1973. The United Bermuda Party (UBP) which holds 26 of the 40 seats in the House of Assembly, has been accused by the opposition Progressive Labour Party (PLP) of gerrymandering constituencies and of failing to advance racial integration or the position of blacks in government, commerce and the professions.

Although tourism and the island's supplementary role as a company tax haven have largely freed Bermuda of the poverty and high unemployment that plague most of its Caribbean neighbours, the black-white struggle poses severe problems for the government and for Sir Peter Ramsbotham, formerly Britain's Ambassador to the United States.

Black Bermudians are particularly bitter over Friday's executions, which they believe would not have gone ahead had the murderers been white. The efficient police force is also predominantly white.

● In London last night, a Left-wing Labour MP criticised the Government's despatch of troops to the island. Mr. Arthur Latham said that he would submit an emergency Commons question or apply for an emergency debate. "The Government said it could not intervene over the hangings. It seems ironic that we now have to intervene to deal with the consequences, risking the lives of British servicemen and involving the expenditure of taxpayers' money," he said.

Portugal bank governor quits

As the Portuguese Parliament approaches its longest day—14 hours of debate on Tuesday and Wednesday on a motion of confidence tabled by the minority Socialist Government — the Governor of the Bank of Portugal, Sr. Jose Silvo Lopes, has made public his intention to resign, Diana Smith reports from Lisbon.

Sr. Silvo Lopes first tendered his resignation to Mario Soares, the Prime Minister, in mid-October and reiterated his request in mid-November, but was apparently persuaded to wait before taking his drastic step and to refrain from making his reasons public.

Nato ministers meet to review progress

BY REGINALD DALE, EUROPEAN EDITOR

NATO MINISTERS will this week be reviewing the Alliance's progress in strengthening its forces, in response to the continuing Soviet military build-up. The review will take place in the context of the week-long annual meeting in Brussels of the Alliance's Defence and Foreign Ministers.

The meeting will provide the first major opportunity for an assessment of the state of the Alliance since last May's London summit, when President Carter launched a new three-point American initiative. He called for a long-term programme to strengthen the Alliance, a major new study of East-West relations and improved co-ordination of defence procurement policies between Europe and North America.

This week, ministers will hear only interim reports on the implementation of the main Carter proposals. The most important follow-up decisions will be taken at the next summit in Washington in May, after the Alliance has had a full year to try to assess the Soviet Union's future intentions.

Considerable progress, however, has already been made in carrying out short term measures to strengthen the allied defences since the last meeting. Here, ministers are likely to welcome the efforts that have been made by most governments, while stressing that the East-West military imbalance remains a cause for continuing concern.

Many of the short-term improvements have already been made or are under way. They involve areas such as anti-tank defences, stocks of arms and ammunition and re-enforcement methods. All are measures that can be taken at little or no extra expense.

Britain, for example, was recommended a list of about 30 improvements. Of these all but two are being carried out, five or six have been added and in four areas the U.K. is doing more than it has been asked to.

If, however, the short-term programme provides some grounds for self-congratulation there are still a number of thorny problems facing the Alliance. Some of the European countries, for instance, are particularly concerned about the future availability of new American weapons, such as the Cruise missile and the Reduced Blast Warhead, the so-called "neutron bomb."

The Foreign Ministers, who meet on Thursday and Friday, will be looking at overall progress in the SALT negotiations and assessing the state of play in the long drawn out East-West force reductions talks (MBFR) in Vienna. They will consider developments at the Belgrade conference that is reviewing the 1975 Helsinki Agreement, but the general view is likely to be that this needs no new Western initiative.

SWAPO members detained

By Quentin Peel

JOHANNESBURG, Dec. 4.

ELEVEN PEOPLE, including Mr. Daniel Tjongarero, Vice-Chairman of the South West Africa People's Organisation (Swapo), were detained last week in northern Namibia (South West Africa), it was confirmed in the territory's capital of Windhoek to-day.

They were arrested on Friday, the day before they were due to attend a conference near the Ovamboland capital of Oshakati, and were being held under the new security laws in the area, allowing detention incommunicado of up to 96 hours, according to the Rev. Ed Morrow, the senior Anglican clergyman in the territory.

The arrest of Mr. Tjongarero was confirmed to-day by Brigadier Victor Verster, the Divisional Commissioner of Police in the territory. He said that two of the detainees, Mr. Tauno Hatuikulipi, a Swapo executive member, and Mr. Joslin Ellis, an official of the Christian Centre in Windhoek, and the BBC's correspondent in the territory were released this morning.

The detentions follow the liberalisation of security laws in Ovamboland, centre of the guerilla war being waged by the external wing of Swapo, to allow political meetings there as a prelude to open elections. Previously all such meetings were banned.

Owen awaits reply to Rhodesia talks offer

BY OUR FOREIGN STAFF

DR. DAVID OWEN, the Foreign Secretary, held talks lasting almost two hours at the Foreign Office yesterday with the Rev. Ndabaningi Sithole, regarded as one of the more moderate of Rhodesia's nationalist leaders.

The two men agreed that free and fair elections based on universal suffrage were essential before power was transferred to a black majority government. Mr. Sithole also told Dr. Owen that he saw the Anglo-American initiative as the basis for his negotiations with Mr. Smith, the Rhodesian leader.

Mr. Sithole is due to have more talks at the Foreign Office to-day. A reply is being awaited, meanwhile, from the Patriotic Front hard-liners, Mr. Robert Mugabe and Mr. Joshua Nkomo, to an invitation from Dr. Owen to meet him in London later this month.

The invitations were reported to have been handed to the Patriotic Front leaders on Friday.

The invitations follow the breakdown of recent talks in Southern Africa involving Field-Marshal Lord Carver, Britain's resident Commissioner-designate for Rhodesia.

A Foreign Office spokesman said it was decided to invite Mr. Nkomo and Mr. Mugabe after the failure of efforts to convene a meeting in Malta.

Reuter adds from Paris: Dr. Owen said in an interview published yesterday that South Africa would start listening to world opinion when foreign investment there stopped.

He told the French weekly news magazine le Point that foreign pressure on South Africa made the minority white population close ranks: "But when they say they would rather ignore the international community, they are bluffing.

Biko family to sue S.A. Ministers

BY OUR OWN CORRESPONDENT

JOHANNESBOURG, Dec. 4.

THE FAMILY of Mr. Steve Biko, the South African black consciousness leader, are planning to sue Mr. Jimmy Kruger, the Minister of Police, and Dr. Schalk van der Merwe, the Minister of Health, for damages.

The move, revealed by Mr. Shun Chetty, the family lawyer, follows the inquest into Mr. Biko's death in police detention, which returned a verdict exonerating any person from criminal responsibility. Mr. Kruger would be sued as the man responsible for the actions of the security policemen who interrogated Biko in Port Elizabeth, and Dr. van der Merwe as the man whose department employs the two district surgeons who examined Biko before he died.

Mr. van Agt to be new Dutch premier

BY MICHAEL VAN OS

AMSTERDAM, Dec. 4.

MR. ANDRIES van AGT is to become Prime Minister in the new Centre-Right Dutch Cabinet which is expected to be formally established at the end of this coming week. He is the parliamentary leader of the Christian Democratic Party (CDA) and Deputy Premier and Justice Minister in the outgoing left of centre coalition.

It was also announced in the Hague this week-end that the Christian Democrats and the Right-wing Liberal Party (VVD) would be allocated ten and six Cabinet portfolios respectively. The main ministries which the CDA will get besides the Premiership include Finance, Social Affairs, Defence, Overseas Development and Agriculture and Fisheries. The VVD's ministries will include Foreign Affairs, Economic Affairs and Education. The young Mr. Hans Wiegel, the party's parliamentary leader, will be Vice-Premier and Minister of Home Affairs.

The names of the ministers are being filled in to-morrow and this outcome and the way the ministries are shared will have to be approved by the two parties' parliamentary sections, probably on Tuesday.

Swiss reject plan to increase tax on wealth

BY JOHN WICKS

ZURICH, Dec. 4.

THE SWISS electorate this week-end rejected a proposal by the Social Democratic party to increase direct taxation on large incomes and fortunes, while granting tax relief on low incomes. The motion, first introduced in June 1974, had been opposed by the Government and the country's three other coalition parties.

Known as the "Wealth Tax" proposal, this would have laid down cantonal and communal income tax minima totalling 21 per cent. for a taxable annual income of Sw.Fr.100,000, 27 per cent. for one of Sw.Fr.200,000 and 33.4 per cent. for a yearly taxable income of Sw.Fr.1m., with direct federal tax levels to be of 6, 10 and 14 per cent., respectively.

Fortune tax levied by cantons and communities would have involved sums upwards of Sw.Fr.100,000 and been of at least 0.7 per cent. for fortunes of Sw.Fr.100,000-1m. and 1 per cent. for the part of any fortune exceeding Sw.Fr.1m.

Although the proposal foresaw the freeing of annual incomes of less than Sw.Frs.10,000 from all forms of income tax and those under Sw.Frs.40,000 from direct federal tax, it was turned down in almost all cantons.

Spain home rule protests

MALAGA, Dec. 4.

ONE YOUTH was shot dead, a policeman was wounded and a number of people were injured to-day when violence erupted here during a mass demonstration demanding home rule for the southern region of Andalusia.

The trouble came as hundreds of thousands marched through Andalusia and in the north-west area of Galicia supporting home rule. Demonstrations elsewhere passed without incident, but violence flared here after a group of demonstrators hurled stones and rotten oranges at the Provincial Council headquarters. They were protesting against the Provincial Governor's decision to fly the Spanish flag from the building instead of the green and white Andalusian banner.

Riot police fired smoke bombs and rubber bullets, but the demonstrators threw up street barricades and hurled stones at the troops. During the exchanges, Manuel Garcia Caparros (19) was shot dead.

An Andalusian trade union spokesman said police had drawn their revolvers when chasing the demonstrators, but it was not known who had fired the shot. A policeman was taken to hospital with gunshot wounds and about 20 other injuries were reported.

The Malaga civil governor said he had not authorised police to move against the demonstrators. Angry trade union chiefs immediately condemned the police and called for a general strike in the region on Tuesday.

Spanish television estimated that three million people took part in the demonstrations in Andalusia. An estimated 350,000 people marched in Galicia.

Reuter

India N-plant blast hurts 20

NEW DELHI, Dec. 4.

AN EXPLOSION at India's Baroda heavy water atomic plant in which 20 people were injured could delay domestic nuclear fuel production by more than a year, informed sources said to-day. Officials from the Atomic Energy Commission (AEC) declined comment on speculation that the blast, which occurred last night, had been caused by saboteurs.

The Samachar News Agency said to-day that 20 people had suffered minor burns in the explosion at Baroda, which is 250 miles north of Bombay. The plant had been closed for an indefinite period while AEC investigators determined the cause of the blast.

Quoting informed sources the agency said the explosion might delay by more than a year indigenous production of heavy water, which is used to control the chain reaction in some types of nuclear power stations.

Oman claim

Troop movements in both Oman and the United Arab Emirates (UAE) have given strength to unconfirmed reports that Oman has laid claim to a northern portion of Ras al-Khaimah, Celia May wrote from Dubai yesterday. Ras alKhaimah is one of the smaller and the norther-most member of the UAE.

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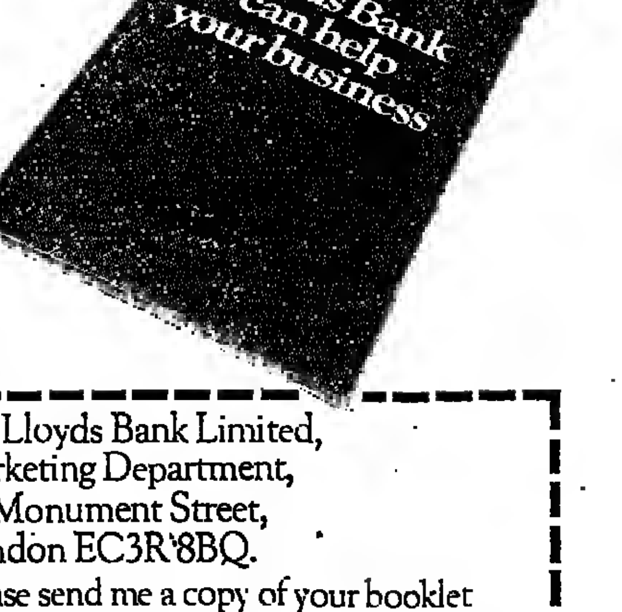

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Building and Civil Engineering

Sunley wins £14m. Abu Dhabi contract

BERNARD Sunley and Sons has just won a £14m. contract in Abu Dhabi for the construction of a residential complex for the Abu Dhabi National Oil Company (ADNOC) on the Abu Dhabi Corniche next to the Hilton.

When complete the complex will provide 153 apartments, supermarket, theatre, kindergarten, gymnasium, sports hall, discotheque, cafeteria, health centre, social club and laundry for ADNOC employees. The large luxury apartments will have two bathrooms and cover floor areas of up to 2,150 square feet.

With the provision of air conditioning and electrical services, which are the subject of separate direct contracts, the average cost per dwelling will exceed £100,000.

The apartments will be constructed in two multi-storey blocks, each formed to a separate circular shape on plan. Six circular reinforced concrete shafts are to be constructed at intervals independent of the main structure for the provision of elevators and staircases.

Winning of this contract brings the total value of Sunley's work in the Gulf to around £180m.

Architects for the scheme are Constantine D. Kapsambelis and Associates of Athens.

Prospect of a £19.2m. plant order

A FEASIBILITY study and preliminary engineering design contract for a maize derivatives processing plant in Thailand has been signed by Cementation International.

The work is being undertaken for the Pagoda Farm Company of Bangkok and the feasibility study will be carried out for Cementation by the Economist Intelligence Unit.

If the findings are approved, it is likely that a contract worth about £19.2m. for the design, construction and commissioning of the plant will follow.

£12m. work for Douglas

CONTRACTS totalling over £12m. have been awarded to companies in the Douglas group.

Major contract for R. M. Douglas Construction is building the Bromsgrove Highway for Redditch Development Corporation. The work includes a dual carriageway road, five bridges and three pedestrian subways, and is valued at £3.2m. Construction has commenced and will last for two years.

Other major contracts awarded to this company include alterations and extensions to a factory at Slough; factory extensions at Sudbury, Suffolk, for CAV; reconstruction of a factory at Slough for Mars; construction of a process building and offices at a grain mill at Thirsk, for Nitrovit—jobs with a total value of over £2.5m.

R. M. Douglas Roofing has contracts worth over £2½m., the largest being for roofing and cladding an assembly hall for Leyland Bus and Truck at over £1m. The group's asphalt and paving company is resurfacing the M5 for Hereford and Worcester County Council at a cost of nearly £1m.

£5m. spread of work

REED AND MALLIK, the civil engineering division of Rush and Tompkins Group has begun work on projects valued in excess of £5m. This brings total of latest awards to the group to £6m.

Bracknell Development Corporation has placed a £200,000 order for road works as has the London Borough of Newham (£400,000).

For Scarborough Borough Council, timber piles are to be provided in Whitby Upper Harbour between Eskside Wharf and the new timber jetty and British Rail has placed two orders, one for reconstruction of a bridge over Great Suffolk Street, London, S.E., and the other for platform reconstruction at Herne Hill Station, London, S.E.

The building division of Rush and Tompkins has been awarded work valued at £4m. One of the bigger jobs is for Waitrose (£850,000) for the construction of a store in Stevenage, Herts.

Other work includes re-roofing of the maternity unit at Queen Mary's Hospital, Sidcup, Kent for the South East Regional Hospital Board (£350,000), construction of a ticket office and staff welfare facilities at Chadwell Heath Station for British Rail and a £400,000 negotiated contract has been agreed with Haydock Industrial Properties to provide 3,800 square metres of warehouse and office space for John Smiths (Tadcaster) Brewery.

Among the rest of the contracts is work at Lymington, Hants., for Wellworthy Engineering Company, for Avon Rubber at Melksham, Wilts., for British Rail at Eastleigh, for Littlewoods Stores at Northumberland Street, Newcastle and, finally, two contracts from English Industrial Estate Corporation valued jointly at £1.3m. for factories and warehousing at Teesside Industrial Estate, Thornaby, Cleveland, and at Cowpen Bewley Industrial Estate, Billingham, Cleveland.

£6.6m. plant to produce records

A NEW record manufacturing plant is to be constructed for CBS United Kingdom at Rabans Lane, Aylesbury, Bucks.

Bovis Construction has been appointed managing contractor and the company expects that main works will start in February. Value of the contract is about £6.6m.

Sir Frederick Snow & Partners are the architects, engineers and quantity surveyors for the project which will involve construction of a 12,531 square metre production building, a 3,000 square metre sleeve store and 2,475 square feet of offices. External works will include roads, paved areas, a gate-house, fuel and water storage and landscaping.

The main frame for the production building and sleeve store will consist of steel columns and lattice girders, clad externally with profiled steel and with steel roof decking.

The 2-storey office block will have a reinforced concrete frame, lightweight external cladding and double-glazed windows.

Production of records on the 16-acre site will start in September, 1979.

Alpine area surveyed

SOME 30,000 square kilometres of the hilly to mountainous areas of the eastern Alps have been surveyed under two large contracts placed with Hunting Geology and Geophysics by the respective authorities of Lower Saxony and Austria.

The recipient of the contracts was Hunting Geology and Geophysics and, as usual, the successful competitor against a number of overseas companies is reticent concerning the overall value of the operation. However, it is known that such work, aimed mainly at making quite sure what minerals are beneath the soil, would cost between $12 and $15 per linear kilometre and that the contract under discussion amounts to about 16,000 linear km.

While this is comparatively small in face of vast contracts for massive road and bridge structures, it has to be remembered that not many companies in the world can command enough advanced technology to be able to look for minerals, oil and gas from the air and then produce the relevant maps, in the utmost confidentiality.

The relevant geophysical data is now being compiled by Hunting into detailed contour maps of magnetic intensity at three scales. Grid data is to be put on to punched cards for further computerisation. This will be in the hands of the relevant authorities in Austria and Germany.

TorBar

IT WELDS WELL without loss of tensile strength.

GKN (South Wales) Ltd. Castle Works, Cardiff. Tel: 0222-33033 Telex: 49316.

(A member of GKN Rolled & Bright Steel Ltd.)

£3m. school contract

THE Government of Trinidad and Tobago has awarded a £3m. contract for the construction of buildings for Barrackpore School to George Wimpey (Caribbean). The buildings totalling 135,000 square feet, will be reinforced concrete framed on piled foundations with block walls and galvanised roofing. Work is now starting.

£1m. awards in Scotland

OVER £1m.-worth of contracts have been awarded to Alexander Hall and Son (Builders).

In Edinburgh, the company is to construct housing at Bedford Road for the Viewpoint Housing Association while at Dyce near Aberdeen a health centre is to be built for the Grampian Health Board.

A third contract is for the erection of an art and craft block and other buildings at Gordonstoun School, Elgin.

£4m. worth in London

HOLLAND, Hannen and Cubitts Construction (London) has won three contracts in London worth nearly £4m.

The largest involves construction of 67 flats and 66 houses for the Borough of Camden under a £2.4m. contract. With design by the Council's own staff, the project is scheduled for completion in April 1980. Quantity surveyors are Robinson and Roods and structural consulting engineers are Cooper MacDonald.

Another housing contract, awarded by the GLC and worth £700,000, involves completion of a project in Edgware originally awarded to F. G. Minter, now in liquidation. The scheme, scheduled for completion in one year, will provide 55 new homes in four three-storey blocks, three of which were in the centre of construction by the previous contractor.

Architects are Mayorcas Guest and Partners; quantity surveyors are Rider Hunt and Partners and consulting engineers are David Powell and Partners.

In Battersea, at the glucose refinery of Garton Sons and Company, Cubitts will carry out work worth about £750,000. The year-long contract involves the addition of new bays to a steel-framed building together with work in the existing factory. John A Strubbe is the architect and quantity surveyors are G. E. Ball and Partners.

Housing by John Laing

WORK HAS just started on 90 homes (houses and flats) to be built in Coulby Newham, on the southern fringes of Middlesbrough, by John Laing Construction. The £826,000 contract was awarded by the North British Housing Association.

This project, says Laing, represents the latest stage in the residential development of Coulby Newham, a rural hamlet that will eventually comprise 3,000 local authority, housing association and private dwellings. The company is already building 400 homes in the vicinity under three separate contracts worth a total of £3.4m.

Laing has also just started on a new private housing scheme at Penrith. The company is building the first 16 homes in a development of 80 at Carlton Road, just east of the town centre.

The first phase includes three-bedroom semi-detached houses, two-bedroom terraced houses, and two-bedroom semi-detached bungalows. Prices of the two-bedroom terraced houses start at £10,950, the bungalows are from £13,950 and the larger houses start at £14,800.

The dwellings will be of traditional cavity wall construction.

Rough terrain forklift

FOR CONSTRUCTION site work and agricultural applications, Sambron has introduced a fork lift truck with a 2.5 ton lift—to 12 feet using the standard duplex mast. Three triplex mast options allow the user to choose freelift, or a maximum height of 23 feet.

Powered by a 45 hp three-cylinder Fiat diesel engine, the truck has six speeds forward and reverse from ½ to 17 mph. It has a trailer capacity of 20 tons.

Mechnical drive can be engaged to two or all four wheels from the driving seat. Rough terrain capability is provided by a differential lock, large flotation tyres front and rear, ground clearance of 11 inches, and hydraulic power steering that operates even when the truck is axle deep in mud. Turning radius is 17 feet.

From the driving seat in the large flat deck cab the tips of the forks and the four corners of the truck can be seen at all times. Full working and road lights to EEG regulations are fitted.

More from Sambron, Hillbottom Road, High Wycombe, Bucks. (0494 83508).

Steel workers' dormitories

SBT MIDDLE EAST, in association with architects and planners Scott Brownrigg and Turner, has been commissioned by the Qatar Steel Company to design accommodation for steel operatives and senior staff who will be working at its plant, scheduled for completion shortly, at Umm Said, Qatar, in The Gulf.

Three four-storey dormitory blocks will be grouped around an inner landscaped courtyard, with the mess and lounge facilities forming the fourth side. Each building will be designed to give protection from the wind, sand and heat.

Completion of this £8m. contract is expected in 1978. Main contractor is J.M.J. (Contractors) in association with Kassem Darwish Fakhroo and Sons (Qatar). Structural consultants are White Young and Partners.

IN BRIEF

● Improvements and remedial works to The Forum leisure and recreation centre at Billingham, Cleveland are being carried out by Taylor Woodrow Construction (Northern) for Stockton-on-Tees Borough Council under a £132,000 contract.

● Shepherd Construction has started work on a development of 78 dwellings for the Metropolitan Borough of Bury on a site bounded by Church Street and Harley Avenue, Ainsworth. The £718,000 contract provides for the erection of 10 two bedroom/three person bungalows; 23 one bedroom/two person flats; 31 two bedroom/three person flats, 7 three bedroom/five person houses 6 two bedroom/four person houses and 1 four bedroom/six person house, together with all external works and services.

● Lesser Construction has received a contract worth £344,000, to design and build a new production unit for Molina at Evelyn Street, Deptford, adjacent to a similar unit, also designed and built by Lesser and completed early this year. Work is already under way on this second phase of the planned redevelopment of the site, with completion anticipated in June, 1978.

Lesser Construction is also building a sports and squash club for Glaxo Laboratories at Ulverston, Cumbria—contract is worth £126,000.

● Cumbernauld Development Corporation has awarded a contract worth over £725,000 to Shanks and McEwan (Contractors) of Glasgow, for the construction of factories at the Wardpark East industrial area. There will be 11 units ranging from 432 square metres to 11,052 square metres, and it is hoped that work on the one year contract will commence before the end of the year.

● Costain Construction has been awarded a contract worth over £600,000 to build single person accommodation at Caxton Road, Wood Green for the London Borough of Haringay.

● Associated Dairies, Leeds, has awarded a contract, worth about £1.1m., to Sir Alfred McAlpine and Son (Southern), for a store and an elevated car park at Darlaston, West Midlands.

● Henry Boot Construction has been awarded a £1½m. contract for building works at the new brewery in Reading for Courage.

● British Nuclear Fuels has awarded three contracts totalling £701,000 to Simonbuild for a single-storey concrete-framed building, an office complex and a components store, at Springfields Works, Salwick, Preston.

CONTRACTS AND TENDERS

TARBELA HYDROPOWER EXTENSION PROJECT

CONTRACT No. EM-9

SUPPLY AND SUPERVISION OF ERECTION OF 500 KV TRANSFORMERS AND APPURTENANCES FOR UNITS 7 & 8

(1) Tarbela Dam and Powerhouse is situated on the Indus River 29 miles upstream from Attock. The existing power station has four generating units of 175 MW each with vertical shaft Francis turbines. The Pakistan Water and Power Development Authority (WAPDA) intends to extend the Powerhouse and install four additional units, Nos. 5 to 8. Generator transformers are required for Units 7 and 8.

(2) Tender documents will be issued shortly for designing, manufacturing, furnishing, delivering c.i.f. Karachi and supervising erection of seven single-phase 500 kV, 71,000 KVA step-up transformers with lighting arresters and water spray fire protection systems and all appurtenant parts and accessories for a complete and operating installation.

(3) Sealed tenders will be called for a date which will be specified in the tender documents.
A period of approximately 90 days will be allowed for the preparation of tenders from the date of issue of the tender documents.

(4) The extension of the Powerhouse is being jointly financed by the Government of Pakistan and the Asian Development Bank (ADB).
The foreign exchange component of Contract EM-9 is anticipated to be financed by a loan from the ordinary resources of the Asian Development Bank. The details of eligible source countries and other eligibility requirements will be set out in the tender documents.
Only tenders received from manufacturers who have supplied similar plant to that described above will qualify for consideration. The tender documents will require submission of full details of the manufacturer's technical capability and financial status.

(5) Application for tender documents should be made as soon as possible to:

General Manager (Generation)
Pakistan Water & Power Development Authority
WAPDA House
Lahore

with a copy of the application to the Engineer,

Acres International Ltd.
2 Sunderdas Road
P.O. Box 3034
Lahore, Pakistan

Requests for tender documents must be accompanied by:

(i) full name and address of the transformer manufacturer who will perform the major part of the work, and

(ii) a brief description of previous experience in manufacturing high voltage transformers of the capacity and voltage specified.

(6) Each application should be accompanied by a Bank draft issued by a recognised bank in favour of WAPDA account number 890, Allied Bank of Pakistan, Wapda House, Lahore in the amount of Pakistani Rupees 2,000 or the equivalent of U.S. $200 in convertible foreign currency as payment for three complete sets of the tender documents and ten copies of the tender forms.
Additional copies of the complete sets of documents may be obtained upon payment by cash or certified cheque air post paid in the amount of

Within Pakistan Rs. 700 each set
Outside Pakistan U.S.$ 100 each set

The above charges will not be refunded.

TARBELA HYDROPOWER EXTENSION PROJECT, PAKISTAN

CONTRACT No. EM-7

SUPPLY OF CABLE, BUS AND ACCESSORIES, FOR UNITS 5 TO 8

(1) Tarbela Dam and Powerhouse is situated on the Indus River 29 miles upstream from Attock. The existing power station has four generating units of 175 MW each with vertical shaft Francis turbines. The Pakistan Water and Power Development Authority (WAPDA) intends to extend the Powerhouse and Switchyard and instal four additional units, Nos. 5 to 8.

(2) Tender documents will shortly be issued for designing, manufacturing, furnishing, testing, delivering c.i.f. Karachi of the following equipment with all appurtenant parts and accessories for a complete and operating installation:
— Aluminium Bus, Fittings and Welding Materials
— Post Type and Suspension Type Insulators
— Overhead 900 MCM Arvidal Cable and Accessories
— Overhead 7 No. 6 Alumoweld Cable and Accessories
— 11 kV Multi-Conductor Power Cables and Accessories
— 600 V and 1,000 V Single and Multi-Conductor Power and Control Cables and Accessories.

(3) Sealed tenders will be called for a date which will be specified in the tender documents.
A period of approximately 90 days will be allowed for the preparation of tenders from the date of issue of the tender documents.

(4) The extension of the Powerhouse is being jointly financed by the Government of Pakistan and the Asian Development Bank (ADB).
The foreign exchange component of Contract EM-7 is expected to be financed by a loan from the Ordinary Capital resources of the Asian Development Bank. The details of eligible source countries and other eligibility requirements will be set out in the tender documents.
Only tenders received from manufacturers who have supplied similar plant to that described above will qualify for consideration. The manufacturer's technical capability and financial status.

(5) Application for tender documents should be made as soon as possible to:
General Manager (Generation)
Pakistan Water and Power Development Authority
WAPDA House
Lahore, Pakistan
with a copy of the application to the Engineer,
Acres International Limited
2 Sunderdas Road
P.O. Box 3034
Lahore, Pakistan.

Requests for tender documents must be accompanied by:
(i) full name and address of manufacturer who will perform the major part of the work, and
(ii) a brief description of previous experience in manufacturing equipment of the type and size specified.

(6) Each application should be accompanied by a Bank draft issued by a recognised bank in favour of WAPDA account number 890, Allied Bank of Pakistan, WAPDA House, Lahore, in the amount of Pakistani Rupees 2,000 or the equivalent of U.S.$ 200 in convertible foreign currency as payment for three complete sets of the tender documents and ten copies of the tender forms.
Additional copies of the complete sets of documents can be obtained upon payment by cash or certified cheque air post paid in the amount of
within Pakistan Rs 500 each set
outside Pakistan U.S.$ 100 each set
The above charges will not be refunded.

GENERAL MANAGER (GENERATION)
WAPDA

TARBELA HYDROPOWER EXTENSION PROJECT, PAKISTAN

CONTRACT No. EM-6

SUPPLY AND ERECTION, SUPERVISION OF LV EQUIPMENT FOR UNITS 5 TO 8

(1) Tarbela Dam and Powerhouse is situated on the Indus River 29 miles upstream from Attock. The existing power station has four generating units of 175 MW each with vertical shaft Francis turbines. The Pakistan Water and Power Development Authority (WAPDA) intends to extend the Powerhouse and instal four additional units, Nos. 5 to 8.

(2) Tender documents will be issued shortly for designing, manufacturing, furnishing, delivering c.i.f. Karachi and supervising of the following equipment with all appurtenant parts and accessories for a complete and operating installation:
Schedule 1:— 13.8 kV Main Generator Isolated Phase Bus.
— 13.8 kV Potential Transformer and Surge Protection Equipment.
Schedule 2:— 13.8 kV Unit Auxiliary Power Transformers.
— 11 kV Auxiliary Power Transformers.
Schedule 3:— 425 Volt Power Distribution Centres.
— Control, Metering and Relaying Switchboards, Extension Sections.
— Panelboards, Terminal Boxes and Miscellaneous Equipment.
Tenderers may quote on one or more or all above schedules but each tendered schedule must be complete.

(3) Sealed tenders will be called for a date which will be specified in the tender documents.
A period of approximately 90 days will be allowed for the preparation of tenders from the date of issue of the tender documents.

(4) The extension of the Powerhouse is being jointly financed by the Government of Pakistan and the Asian Development Bank (ADB).
The foreign exchange component of Contract EM-6 is anticipated to be financed by a loan from the Ordinary Capital resources of the ADB. The details of eligible source countries and other eligibility requirements will be set out in the tender documents.
Only tenders received from manufacturers who have supplied similar plant to that described above will qualify for consideration. The tender documents will require submission of full details of the manufacturer's technical capability and financial status.

(5) Application for tender documents should be made as soon as possible to:
General Manager (Generation)
Pakistan Water and Power Development Authority
WAPDA House
Lahore, Pakistan
with a copy of the application to the Engineer,
Acres International Limited
2 Sunderdas Road
P.O Box 3034
Lahore, Pakistan.

Requests for tender documents must be accompanied by:
(i) full name and address of manufacturer who will perform the major part of the work, and
(ii) a brief description of previous experience in manufacturing equipment of the type and size specified.

(6) Each application should be accompanied by a Bank draft issued by a recognised bank in favour of WAPDA account number 890, Allied Bank of Pakistan, Wapda House, Lahore, in the amount of Pakistani Rupees 2,000 or the equivalent of U.S.$ 200 in convertible foreign currency as payment for three complete sets of the tender documents and ten copies of the tender forms.
Additional copies of the complete sets of documents may be obtained upon payment by cash or certified cheque air post paid in the amount of
within Pakistan Rs 700 each set
outside Pakistan U.S.$ 100 each set
The above charges will not be refunded.

GENERAL MANAGER (GENERATION)
WAPDA

FIJI ELECTRICITY AUTHORITY 132KV Overhead Line

Prequalification of tenderers
Applications are invited from experienced contractors for prequalification for the following work.

Description of work
The work consists of the supply, delivery and supervision of erection of 150 kilometres of 132KV overhead line to be constructed in Fiji in connection with a hydroelectric project. The transmission line will be erected on galvanised lattice steel towers, across country, two-thirds of which is steep in terrain and heavily forested. The other third is across open hilly country. The transmission line shall be constructed to withstand cyclonic conditions.
The contract will be awarded in June 1978 and the completion date will be end of June 1980.

Prequalification requirements
Contractors who are interested in submitting bona fide tenders are invited to apply for prequalification stating:
* Experience in similar type of work, particularly with lines of similar voltage and construction and subject to cyclonic conditions.
* Number and experience of personnel employed by the contractor, including those experienced in the erection of similar overhead lines.
* Details of design facilities, plant and equipment available to carry out the contract, including facilities for tower testing and place of design, manufacture and testing of towers.
* General procedures for implementing and obtaining a high standard of quality assurance of the work entailed in this type of contract.
* Details of current financial position: annual reports for the last three years must be submitted.
* Structure of company, including names of parent, subsidiary and associated companies.

Limit on number of tenderers
It is possible that there will be a limitation on the number of applicants included in the final tender list.

Finance
It is anticipated that the contract for the transmission line will be financed by the Asian Development Bank and the contract will be governed by their requirements.

Bid bond
Each tenderer will be required to lodge a substantial bond which would be refundable on submission of a valid tender complying with the letter of the tender enquiry.

Date of application
Prequalification applications must be submitted to Merz & McLellan & Partners, 122 Arthur Street, North Sydney, NSW 2060, Australia, not later than 28th December 1977.

INTERNATIONAL TENDER

GLOBO S/A. Tintas e Pigmentos, foreseeing the implementation/enlargement/modernisation of an industrial unit located in Porto Feliz, São Paulo, Brazil, is interested in acquiring machines and equipment for the chemical production and processing of synthetic iron oxides.

The purpose of this communication is to invite interested parties to present their proposals in writing to the following address:

Globo S/A. Tintas e Pigmentos
Rua José Getúlio, 78
CEP - 01509 - Aclimação
SÃO PAULO - BRAZIL

CONTRACTS AND TENDERS
APPEAR EVERY MONDAY
Rate £11.50 per
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FRANCIS PHILLIPS on 01-248 8000 Ext. 456

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● CONSTRUCTION

Mile of pipe laid in three hours

SIMPLICITY and low maintenance costs are the key characteristics of a trencher made by Radahl Industrier A/S, Norway. There is only one working part: a digging wheel with ten replaceable cutting teeth.

The Radahl RG 150 M in its standard version cuts an aight inch wide trench. A wider model can cut a 10-inch trench, and with minor modifications, this machine can dig a 12 inch wide trench for shorter distances. All versions of the trencher operate efficiently down to a maximum depth of about five feet

Working with clay or concrete tile pipe the trencher can install between 20 and 25 feet a minute depending on conditions. With corrugated plastic tubing, performance is increased to 40 to 50 feet a minute.

In operation, the action of the wheel is similar to a chain digger as the soil is brought to the surface by the saw-like action of the teeth mounted on the digging wheel. Because the soil is only carried a short distance the power requirement of the Radahl trencher is extremely low when compared with other ditching equipment. An 80 hp tractor is adequate. Although a conventional two-wheel drive tractor can be used as the power unit, a four-wheel drive is preferable.

The Radahl can be coupled to any tractor that has hydrostatic transmission or can be equipped with gear reduction.

A special PTO shaft replaces the standard shaft on the tractor. This is connected to a heavy-duty digging wheel hub and a fully enclosed ring gear. Drives are fully enclosed and a slip clutch protects the trencher against overload. A simple sighting system for accurate grade control is a standard fitting but automatic grade control can be fitted.

Radahl Industrie A/S, POB 85, 1890 Rakkestad, Norway.

Tough roof made of glass and plastics

TWO NORTHERN companies with experience in the separate disciplines of providing coated fabric architectural structures and the coated fabrics themselves, have formed a joint company to exploit their combined experience.

The new company—Fothergill and Harvey Structures — will be jointly owned by Munton and Bryon Holdings, of Winsford, Cheshire, specialist in the construction and erection of fabric covered structures, and the Littleborough, Lancashire based firm of Fothergill and Harvey, a major producer of woven glass fabric and Europe's leading fluorocarbon (PTFE) coater. Initially, the new company will be based at Munton and Bryon's Winsford Works.

The companies believe that both roofs and complete buildings made from PTFE coated glass fabric have enormous benefits to offer. The structures allow huge areas to be covered without the need for pillar support, and the translucency of the coated glass fibre provides architects with an opportunity to create a controlled environment with near perfect conditions.

These novel architectural fabrics are produced from glass yarn, with finer than conventional glass filaments, and the woven fabrics are designed to impart the extra flexibility necessary in roof structure assembly. The coated fabric meets fire regulations, resists ageing, weather and corrosive atmospheres and withstands ultra-violet light degradation. Weight for weight it is stronger than steel, the makers assert.

Microscopic glass spheres embodied in the PTFE coating are designed to reflect the sun's rays and thus provide an efficient solar barrier, eliminating the "greenhouse" effect.

Prior to the formation of the new company, Munton & Bryon had negotiated a contract for shading panels, using PTFE coated glass fabric, to cover the new zoological and botanical gardens for the municipality of Doha in the State of Qatar, designed by the architects John S. Bonnington Partnership. Munton & Bryon is sub-contractor to the main contractor, the Al-Nabda Contracting and Trading Company.

Automated design aids

MORE extensive in its scope than ever before, a three-day conference on computer-assisted design (CAD) is to be held next March in Brighton.

The 3rd International Conference and Exhibition on Computers in Engineering and Design will be of importance to all building and civil engineering contractors of any standing as well as to architects, engineers and designers. Automation has been somewhat slower to penetrate this area of industry than, say, the chemicals and electronics industries.

But the speed-up in the preparation of drawings, plans, estimates and so on that it offers cannot be ignored.

Topics to be discussed during the three days cover the management of CAD facilities, building design—taking in the increasingly important topic of energy and thermal analyses at the blue-print and subsequent stages; evaluation of various computer aids for building; power system analysis; electronic engineering aids; CAD techniques and equipment.

In civil engineering, special attention will be paid to applications and a session will be devoted to case histories.

Although there will be many other papers including some aimed at the manufacturing industry and covering topics from the production of gear trains to that of devices and circuit boards, there seems little doubt that CAD specialists in the building and civil engineering areas will find points of considerable use in several of these.

Further details of this conference, to be held at the Hotel Metropole, Brighton, from March 14 to 16, from CAD 78, 32, High Street, Guildford, Surrey. 0483 71661.

Workshop is mobile

TO SERVICE, maintain and repair vehicle fleets and plant operating away from base support facilities, Scottorn Trailers has developed a trailer-mounted workshop.

The unit measures 2.43 x 6.7 metres, and the general layout and equipment can be altered to meet operational requirements. The trailer is fitted with double rear doors, and a horizontally split side panel which when open provides a roofed working platform.

Among the items carried is a comprehensive range of lubrication equipment, a diesel-driven 12.5 kVA generator, an air compressor, welding kits, and a complete range of electricians', blacksmiths', pipefitters' and carpenters' tools.

Details from the maker, a Boughton Group company, at Chartridge, Chesham, Bucks (02405 2631).

● QUALITY CONTROL

Capacitor checker

GOODS inwards, quality control and other inspection staff in the electrical and electronics industry will be interested in a tester that can assess up to 20 capacitors at a time.

The test is a controlled charge/discharge cycle; the test values can be easily changed so that the tests can be made to comply with British standards or any other test specifications.

Two models are being made: the 901 is for room temperature testing, the 903 for work at elevated temperatures or any other designated environment. In the 901 the number of test cycles is set up on a pre-determining counter, and on starting the charge/discharge sequence is applied automatically to all the components. Failure of any one is signalled by an adjacent lamp. Tests can be conducted up to a voltage of 1,000 V.

The 903 is again under control of a master counter but each capacitor is provided with an independent cycling counter. Maximum voltage is 3,000.

More from Pentwyn Precision at Pontnewynydd, Pontypool, Gwent NP4 6PD (Pontypool 55661).

● PACKAGING

Fast production line

POSSIBLY one of the most labour-efficient blister packaging lines yet installed, a unit at the Aarschot Factory of Mallory Batteries near Brussels, has been provided by Ridat Engineering Co. of Wokingham.

Ridat Model 1004 automatic form, fill and seal machine, is a complete blister packaging line in one machine and is used to pack Duracell alkaline batteries, four in each blister. Rates of 90,000 cells (22,500 packs) per 7½ hour shift are achieved under normal working conditions.

Model 1004 has a new concept in packaging based on automatic transfer. The machine heats the pvc film, forms the individual bubbles three at a time and transfers them into sealing fixtures on a continuous conveyor where they are automatically filled with cells. A card is then positioned on each bubble and the packs are heat sealed, increased output being assisted by two-stage heating which appreciably reduces the cycle time. The completed packs are finally automatically transferred at the packing station. One girl feeds the machine with 240 cells (60 packs) a minute.

Automatic sensing is provided of missing components—blisters, cells or cards—is provided at every stage of the process. If any part is missing, the subsequent operations are not carried out on that fixture.

Ridat is at Fishponds Road, Wokingham, Berks. 0734 785333.

● INSTRUMENTS

Measures heavy salt solutions

CONDUCTIVE measuring equipment for heavy salt concentrations consists of a sensor with a four-ring electrode and a measuring unit. It can measure conductivities of up to 500 mS/cm.

The four-ring electrode is largely insensitive to pollution. The set is used for monitoring the concentration of saline, acid and alkali solutions. It can be used in many fields.

The conductivity of electrolytes is based on the fact that molecules in the water split up into positive and negative ions which become conductive when an electromotive force is applied. The impedance of an electrode assembly submerged in the aqueous solution enables the conductivity to be determined.

Polarisation phenomena on the electrodes, however, make it more difficult to take such measurements in liquids of high conductivity. Since the polarisation depends on the strength of the current, it causes an additional non-linear voltage drop, which creates the impression that the electrolytic conductivity is lower than it is. The electrode rings, which are arranged concentrically one behind the other, are split up into two current and two voltage electrodes in order to eliminate this polarisation effect.

Siemens AG, Postfach 21 1080, D7500, Karlsruhe 21, Federal Republic of Germany.

● TELEVISION

Gets a good picture

PUT on the market by Cotron Electronics of Coventry is the Guardian range of television cameras with one-inch separate-mesh tubes suiting a variety of applications.

There are three models. "Vanguard" is a high resolution camera with vidicon tube suitable for televising captions or documents, and for studio work. It is available for use with or without external synchronisation signals: in the latter case scanning is locked to the mains supply and the camera is then ideal for use in industrial or security surveillance in well-lit areas. Remote control facilities can be provided.

Where less light is available the "Guardsman" camera has a gain control system that extends the automatic light control range by a factor of ten. There is a choice of four tubes giving various sensitivities and resolutions. Highlight brightness of less than 0.5 lux can be accommodated and a total light control range of a million to one can be provided.

Also offered is the "Nightguard" camera which will give a picture in the light of a first quarter moon.

More from Eagle Street, Coventry CV1 4GJ (0203 21247).

● OFFSHORE INDUSTRIES

Cuts time under the sea

HYDRAULIC BOLT tensioning equipment which eliminates the need for a torque wrench in the under-water tightening of pipeline flanges has been developed by Hydra-Tight of Walsall.

Intended for use in the construction and maintenance of undersea oil and gas pipelines, the new device has been tested extensively in North Sea operations.

Principal benefits are the speed with which a diver can tighten flanges, and the accuracy with which the operation is carried out. Minimising the time required produces dramatic reductions in the cost of the operation because the time during which the diver is on the sea bed and the in-service time of the supporting pipelaying barge and services are major cost factors in pipeline construction.

Experience in the Ekofisk and surrounding fields has demonstrated that the equipment can tighten an underwater riser flange in less than four hours. It can take up to 24 hours using conventional torque wrench methods. Additionally, since all bolts on the flange are tightened simultaneously, an even, high and accurate load is imposed on the flange gasket—vital in achieving a leak-tight joint.

Because the tools involved are low in weight (the tool to tighten a two inch diameter bolt weighs only 12 kg), divers find them easy to use and work can progress quickly and accurately.

Hydra-Tight is on Walsall (0922) 38601.

thurley

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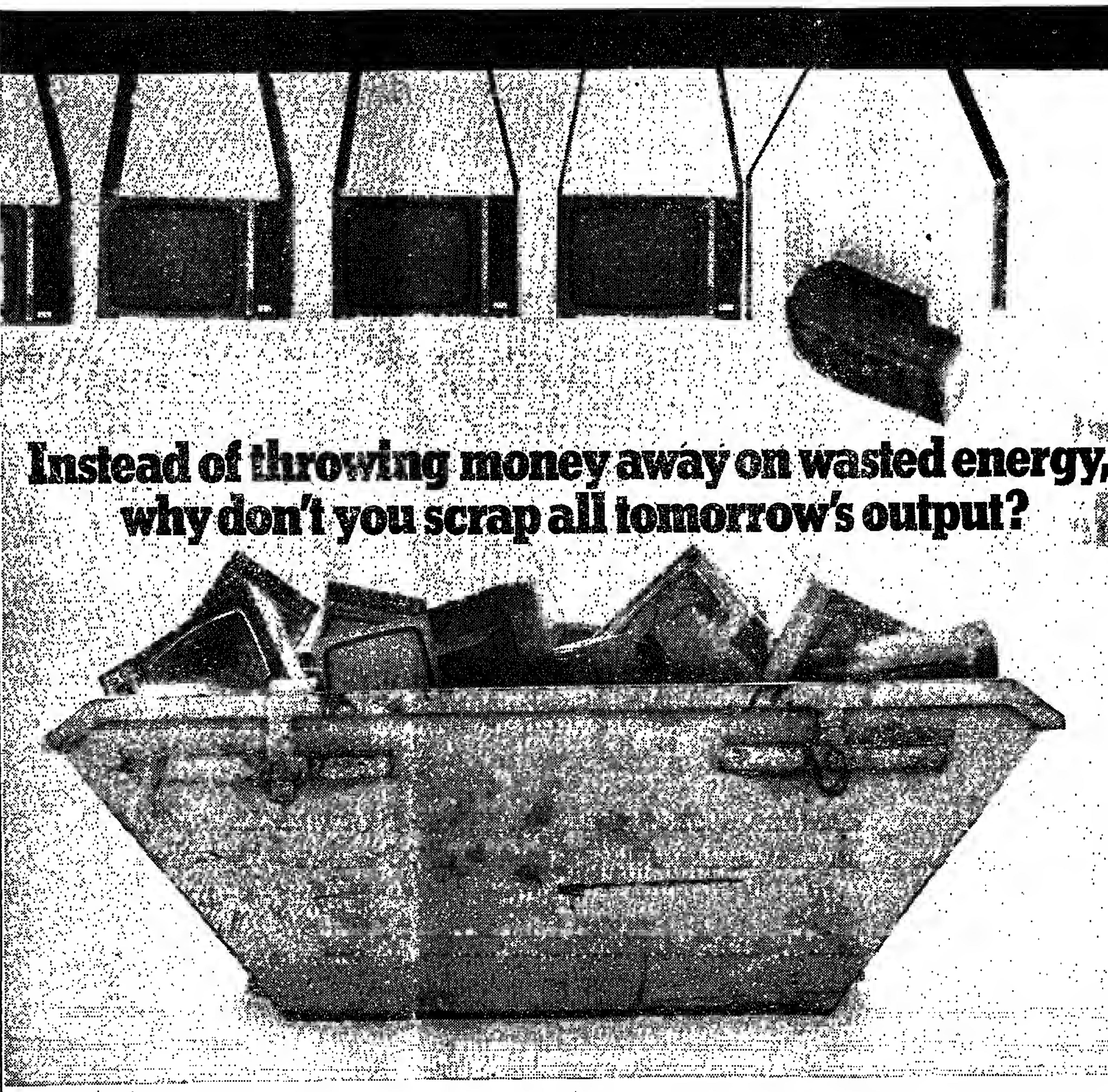

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HOME NEWS

Food prices due to rise as EEC transition ends

BY CHRISTOPHER PARKES

THERE WILL be a further round of farm price increases at the end of this month as Britain completes the five-year transition to full membership of the European Community.

The official support price for beef will rise 4 per cent., wheat will go up 7 per cent., cheese by 6 per cent., and the buying-in price of that most emotional household commodity — butter — will leap 12.5 per cent.

However, more by good luck than good management, the full force of these changes will take some months to filter through to the shops. The Ministry of Agriculture, moreover, claims that the net impact at retail level will be only about 1p in the £.

At the turn of the year the farming industry should be getting full EEC prices for its produce. By virtue of sterling's weakness against other European currencies, however, and thanks to the Community's notorious "green" money system, U.K. farm prices, while falling precisely with those in the rest of the Nine in terms of units of account, will still remain an per cent. cheaper in real terms.

This is the foundation of the National Farmers' Union complaint against the Government. Farmers have to buy oils, fuel, fertiliser etcetera in hard cash, but are paid for their crops in Common Market money worth 70p to the £.

The consumer, of course, has no complaints and the food industry at large is happy to, be able to buy its basic raw materials at such modest prices.

Happiest of all, though, is the Government which sees in the present EEC system a first-rate method of controlling price inflation in foodstuffs.

Although the increase in the intervention price should theoretically add 7p to the price of a pound of butter in the shops, stocks in the U.K. are now so high that retailers could probably last through most of 1978 without passing on this particular price rise.

Cheddar

Shippers have been stockpiling butter from abroad with the principal aim of trying to increase their respective shares of the U.K. market. Traders suggest that the supplier who can keep going longest with butter at "old prices" will benefit in the longer term from consumer loyalty built up in the coming 12 months.

There are also heavy stocks of cheddar cheese, but because this market is not so competitive as butter, price increases will probably filter through more rapidly. The net effect of the transitional step should be a price rise of 3p or more a pound.

The pending rise in beef support prices translates strictly into a retail increase of 2p a pound, but this will probably be lost in a much sharper overall increase expected early in the New Year.

The wheat price change, the Ministry claims, might justify an increase of up to 0.4p in the price of a standard 28oz loaf.

Private sector skill drain probe likely

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A GOVERNMENT INQUIRY into allegations by industrialists that the public sector is draining urgently-needed highly-skilled staff from the private sector is likely soon. It may lead to a reassessment of the public sector's manpower policies.

Ministers are preparing for a rapid increase in the number of civil servants seconded to industry to improve understanding and co-operation between Ministries and companies.

The proposals are contained in a paper on Government industrial strategy prepared for the monthly meeting on Wednesday of the National Economic Development Council by Mr. Denis Healey, the Chancellor, and Mr. Eric Varley, Industry Secretary.

The two Ministers say that the minimum they seek through the industrial strategy is to ensure that industry receives at least the same degree of support, and as favourable an environment, as given competing foreign industries by their governments.

But, they add, such an ambition means that contributions must be made by management and unions to reform their practices.

Most of Wednesday's meeting, the last to be attended by Sir Ronald McIntosh as the council's director-general, will be devoted to industrial strategy as it involves Government policy.

The discussion will cover issues such as availability of labour; interchanges between Civil Service and industry; capital availability; water and energy; marketing; and competition policy.

It will include a paper from the Ministry of Defence on the implications of the strategy for manufacture of defence equipment, and a document to be published later to-day from the Manpower Services Commission on ways of cutting shortages of skilled labour.

Overall the objective is to build up the credibility of the Government's interest in industrial strategy.

Mr. Healey and Mr. Varley say in their joint paper: "It is impossible to imagine Britain's industrial scene without the industrial strategy."

"That is a measure of the success we are beginning to achieve." They emphasise that efforts should not be relaxed now that the country's economy is beginning to improve.

The concern over the public sector attracting too many highly-qualified and skilled employees stems from complaints by industrialists on several of the Government's 40 industrial-sector working parties run under the NEDC's umbrella.

The industrialists have said that their companies cannot compete with the attractions to graduates and others working in the public sector, in the terms of the industrial strategy, this means that too many people are going into non-productive areas of employment.

But senior Ministers, under pressure from their own senior civil servants and the rest of the public sector, are not prepared fully to accept these allegations at their face values.

They acknowledge, in the paper from Mr Healey and Mr Varley, that there is reason to be concerned about the "preemption by the public sector of resources of able manpower at the expense of industry." The facts should be established through a special Government examination.

They say that more account should be taken in public-sector manpower policies, including pay relativities, of their implication for recruitment to the country's main industries.

Russian watch second in U.K. sales

THE RUSSIAN SEKONDA is the second best selling watch in Britain, according to Mintel, a marketing intelligence journal.

It takes between 8 per cent. and 9 per cent. of the market, compared with the 25 per cent. of the best-selling Timex, made in the British factories of the U.S. Timex Corporation.

Ten years ago Timex claimed a third of the British market. Heavy advertising, estimated at £300,000 a year, has seen the Russian watch climb from nothing to its present sales.

Oil rig safety

THE JAPANESE-BUILT £22m. Seden/Phillips, the first vessel specially designed to tackle offshore oil disasters, is to take up station in the Ekofisk Field this week.

Students' union

THE 800,000-strong National Union of Students yesterday decided to scale down some of the services to members and to set up a special "structure commission." The union is holding its annual conference in Blackpool.

Jetsave accord

JETSAVE, the low-cost transatlantic travel organiser, has signed an agreement with CP Air of Canada worth $10m. for the joint operation of advance booking flights and budget holiday flights between the U.K. and Canada next year.

Poet's village

THE PEOPLE of Grasmere, the Wordsworth village in Cumbria, who are trying to buy the Central Rothay Hotel site, have been told by the developers that they must make a down payment of £45,000 in the next few days.

Pay code rapped

THE GOVERNMENT'S pay policy discriminates against the public servant, the moderate and the weak, Mr. Peter Walker, former Tory Cabinet Minister, said yesterday. He asked the Government to disclose the list of companies against whom sanctions had been imposed.

Lighting inquiry

THE COMMONS' Select Committee on Science and Technology will hear the first oral evidence on Thursday on the long-awaited inquiry into the durability of filament and discharge lamps.

Aviation warning

GOVERNMENT PLANS to give the proposed new Scottish Assembly powers over civil aviation are severely criticised by the Association of British Chambers of Commerce, which describes them as likely to reduce civil aviation in Scotland to a "shambles."

Gloomy forecast

A GLOOMY forecast for the U.K.'s balance of payments is given to-day by stockbroker Wood Mackenzie. It forecasts a surplus of only £0.8bn. in the current account for 1978.

Concrete probe

THE ASSOCIATION of Metropolitan Authorities is to inquire into the possibility of price rings being operated by ready-mixed concrete contractors when tendering to local authorities.

Neutron bomb

THE NEUTRON BOMB is expected to be discussed by Nato Defence Ministers during their regular three-day meeting which begins in Brussels to-day. The British Government, like other Nato powers, is still weighing the pros and cons of the American-devised bomb—known as the Enhanced Radiation Weapon.

Sunbeam order

SIX WEEKS after launching the Chrysler Sunbeam, Chrysler has won its first big national fleet contract for the car. The contract, worth £4m. a year, is with the Tupperware Company, which operates the largest annually-changed single-make fleet in the U.K. for its all-woman management staff.

Extension plan

CUMBERNAULD Development Corporation is planning a £6m. extension to the town centre. It will contain about 50 shops and employ 500-700 people when completed. Construction will start next year with completion scheduled for autumn 1980.

Sea link cut

FELIXSTOWE'S five-year shipping link with Israel ends to-day. After recent industrial disputes, the CIS line is switching to Ipswich where it believes turnround speed and co-operation is better.

Drillship named

A NEW BP drillship, the Sedco/BP 471 was named by Mrs. Elizabeth Birks, wife of BP's technical director, at the Hawker Industries shipyard in Halifax, Nova Scotia, Canada, at the week-end. The ship was built by Hawker's for Overseas Drilling, a joint BP and Sedco company.

LABOUR NEWS

Firemen press for support

BY PAULINE CLARK, LABOUR STAFF

LEADERS of the striking firemen will to-day intensify their efforts to seek financial and industrial support from other trade unions ahead of renewed talks to-morrow on whether to maintain a firm stand on their demand for an immediate 30 per cent. pay increase.

The talks, to take place at an executive council meeting of the Fire Brigades Union, follow the rejection on Friday by the TUC's "inner cabinet" of the union's appeal for a campaign against imposition of the 10 per cent. pay guidelines.

But the strike enters its fourth week to-day with little chance of a solution. Even if moves towards a compromise do emerge, more talks are bound to follow with the local authority employers and Government to seek a firmer commitment on pay in the future.

Then a decision would have to be taken on whether a recall of the firemen's conference—the only body which can decide to call off the strike—was warranted, and after that it is believed it would take at least 24 hours to bring the conference together.

Although the union appears not to have totally rejected the TUC Finance and General Purposes Committee proposals, it emphasised that reaction over the week-end from pickets was "very angry indeed."

Mr. Len Murray, general secretary of the TUC, was said by firemen's leaders to have been under a "misconception" when he described the Government's offer as "unprecedented."

At their meeting with Mr. James Callaghan, they had been told that the Government would consider how any agreement on long-term pay could be underwritten so that it was not thwarted by some unforeseen adverse changes in economic circumstances. How much further this commitment would go remains uncertain.

The Government promised to accept the results of an inquiry into police pay structure recently but did not commit itself on timing.

The TUC leaders have urged the firemen to continue discussions aimed at improving the present offer of 10 per cent. and a shorter working week with plans for restructuring firemen's pay in the future. But the union plans to challenge the decision at a TUC general council at a meeting later this month.

Tough year forecast for farm machinery

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THE world market for farm machinery is expected to be static through next year, Mr. Larry Abbott, managing director of the International Harvester company, said at a preview yesterday of the Royal Smithfield Show, which opens to-day at London's Earls Court.

There would be a hard struggle to maintain sales in the U.K., but he hoped that his company would increase its share.

This seems to be the attitude of most manufacturers exhibiting this year. There is more machinery than ever before. But farmers who have re-equipped over recent years with the help of good potato and grain profits have no real need to re-invest, and with cash-flow difficulties affecting many as a result of the fall in potato and grain prices, there is now no incentive to do so.

The only interests confident of future sales were those producing parts that deteriorate and which would have to be renewed in any case. So far, the British farm machinery industry has had a good year with exports ahead by 24 per cent.

Cattle, the original subject of the show, have been given more space outside the main hall. Their quality, as usual, is probably too fat for modern tastes although they made a fine sight.

Industry grant system change is urged

BY STUART ALEXANDER

GRANTS to help industry move to development areas are not resulting in as many jobs as they might, according to a report on Industry in the Development Areas, published to-day by the Political and Economic Planning.

Because incentives are almost all related to capital investment, and are given on a fixed percentage basis, that larger portion goes, almost automatically, to a few capital intensive projects, says the report.

As an alternative, a ceiling in terms of costs per job should be established. Only if it could be shown that exceptional returns would be made, should this ceiling be broken. This would release resources to help the more labour intensive companies.

Although all companies questioned felt that they had been helped by grants, only one third said that they would not have gone to a development area without Government grants. The same number said that they would have gone anyway and some would have been forced to go because of controls on industrial development certificates.

The main reason for moving was the shortage of space and labour at an existing location, while the choice of new location depended more on the availability of a suitable factory and labour than the incentive of a Government grant.

The report also found that when decisions were taken they were nearly always taken in a hurry and often by people who had no previous experience in taking decisions.

Industry in the Development Areas, Political and Economic Planning, 12 Upper Belgrave Street, London, S.W.1, £4.25 inc. postage.

Scots Labour and Tory voters back devolution

BY RAY PERMAN, SCOTTISH CORRESPONDENT

SIGNIFICANT numbers of Labour and Tory voters in Scotland who were previously against devolution are now undecided, according to a National Opinion Poll published yesterday by the Glasgow Sunday Mail.

Support for the Government's proposals has risen among supporters of both parties.

Results show that more Conservatives now favour an elected assembly for Scotland than oppose it—a significant shift from the answers given to the same question last February.

The findings are embarrassing for the Conservatives, since the party has consistently opposed Government proposals and will probably campaign against them in the referendum to be held next autumn.

Taking Scottish voters overall, however, there is a decline in support for devolution, probably because of a change in attitude by SNP supporters.

Crown Agents inquiry pressed

BY RUPERT CORNWELL

MRS. JUDITH HART, the Minister for Overseas Development, will face intense pressure from both sides of the Commons to-day to put the inquiry headed by Sir Carl Aarvold into the Crown Agents debacle on to a public footing.

In to-day's emergency debate, both Mr. Richard Luce, the Tory Overseas Development spokesman, and Sir Michael Havers, the Shadow Attorney-General, will demand public hearings to investigate individual responsibilities for what has already been described by Mrs. Hart as "one of the most serious betrayals of public accountability for many years."

Labour backbenchers will be saying exactly the same thing. Left-wingers suspect the ground is being prepared for an "establishment cover-up" of blame for the Agents' £200m.-plus losses, while moderates are more inclined to accept the Fay report's finding that incompetence, rather than misconduct, lies at the root of the disaster.

Advice

The decision to keep the inquiry private was apparently taken on the advice of Mr. Sam Silkin, the Attorney General, and Lord Elwyn-Jones, the Lord Chancellor.

But both Conservative and Labour MPs feel that the terms of reference are wrong, laying stress on administrative and not judicial aspects of the affair.

Mr. Luce will press to-day for a full tribunal, as authorised by a 1921 Act of Parliament, as the only means of providing proper safeguards for those officials who are called to give evidence.

This would enable them to call witnesses, have advance warning of topics to be raised and to make full use of legal advisers.

Decision on Saudi electronic deal expected this week

BY JOHN LLOYD

AN ANNOUNCEMENT on the world's largest telecommunications contract, the Saudi Arabian network extension, is expected this week.

Of the three giant consortia bidding for the job, the group headed by the AT&T subsidiary Western Electric, which includes three British companies—BICC, Cable and Wireless and Plessey—is emerging as joint favourite.

Last week, Mr. Alawi Kayyal, the Saudi Minister of Posts and Telecommunications, announced the Council of Ministers would issue a statement on the contract next Saturday.

It is not expected that this statement will give the name of the outright winner.

Executives from the companies who are tendering believe that the statement will name the Western-BICC-C and W-Plessey and the Bell-Ericsson-Philips consortia as the two leaders and declare a further period for negotiations between the two groups and the Saudi Government.

The second major consortium comprises Bell (Canada), Ericsson (Sweden) and the Dutch company Philips.

The third is made up largely of ITT, with some participation from United Utilities (U.S.). It is thought that the ITT bid is less comprehensive and poses more problems than the others.

British executives, while nervous about Saturday's announcement, profess a good deal of optimism. They base their hopes on what they see as a number of advantages offered by the Anglo-Western bid.

The electronic exchange, which is the centrepiece of the tender, is Western's ESS exchange, the most widely tested and used electronic exchange in the world.

While Western has only recently entered the export market, the U.S. company's lack of experience is more than adequately compensated for by the overseas experience of the British companies, especially Cable and Wireless, which operates exclusively in export markets.

The British Post Office is providing expertise to the British consortium when required.

Labour to discuss re-selection issue

BY RUPERT CORNWELL

THE RELUCTANCE of the trades unions to endorse Labour Party proposals for the automatic re-selection of sitting MPs before each election is likely to surface again to-day when the party tackles, for the first time, the problem in detail.

The occasion will be the regular session of the organisation sub-committee of the National Executive Committee, which will have before it a paper from the Mr. Reg. Underhill, the national agent, setting out the practical issues to be settled.

Last October's party conference in Brighton gave the policy-making National Executive permission to prepare plans for re-selection, to be submitted to the next conference. The effective deadline for agreeing a new set of recommendations is May, so that they can be circulated in time to delegates.

The idea is again one which divides Left and Right in the party, with moderates fearing above all that the procedure will be used by small groups of Left-wing activists in the constituencies to oust MPs with whose policies they disagree.

Public service pay pact by Basnett

BY OUR LABOUR STAFF

THE SORT of crisis which sparked the firemen's strike and the bitterness which surrounded the recent police pay struggle could be prevented if public sector unions united in a single body to vet their problems, as they arose, Mr. David Basnett, general secretary of the nearly 1m.-strong General and Municipal Workers' Union claimed yesterday.

Mr. Basnett, who is this year's chairman of the TUC, proposed the formation of a new TUC public services committee, encompassing all the unions with members in local and national government employment.

Mr. Alan Fisher, general secretary of the National Union of Public Employees, had already indicated interest, he said. He was confident that other public sector union leaders would respond favourably, too.

Under Mr. Basnett's plan—outlined in the Sunday Times yesterday—the new committee would help forestall public sector pay crises by keeping the Government constantly informed on anomalies and other grievances that might develop.

Moves would be made towards synchronising principal settlement dates and a united review body would conduct comparability exercises.

Mr. Basnett said that in creating a direct relationship with the Government, the unions would be meeting the "inevitable fact of life" that there would always be a formal or informal incomes policy for the public services, where there could never be totally free collective bargaining.

Raleigh strikers vote to-day

HOPES of ending the 18-day-old strike that has halted T. I. Raleigh production at Nottingham and Birmingham factories depend on a meeting of the 4,300 strikers to-day.

The deadlock over a pay claim was broken on Thursday by the intervention of the Advisory Conciliation and Arbitration Service. At the meeting, management outlined a self-financing productivity deal which will be put to the meeting.

The strike, made official by the metal mechanics, is over a claim for a £27 a week rise to bring earnings, including overtime, up to the national average.

Base Rate Change

BANK OF BARODA

Bank of Baroda announce that, for balances in their books on and after 5th December, 1977 and until further notice their Base Rate for lending is 7½% per annum. The deposit rate on all monies subject to seven days notice of withdrawal is 4% per annum.

Banks may reassess rates

BY MICHAEL BLANDEN

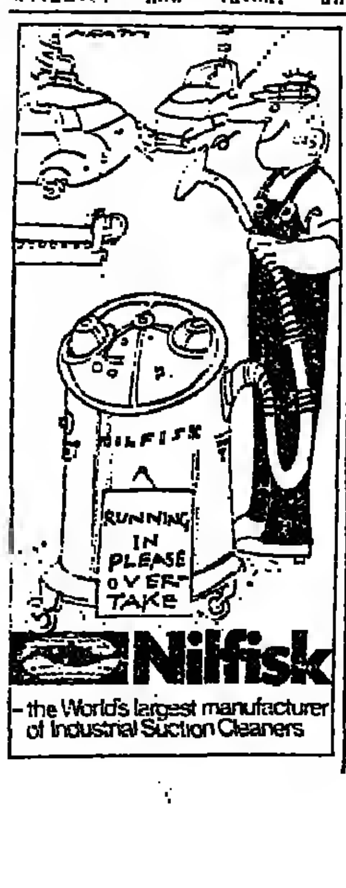
THE BIG BANKS may examine their interest rates again this week after the confusion and uncertainty which affected the money markets last week.

This left the banks taking markedly differing views of the appropriate level of rates both for overdrafts and deposit accounts. Midland Bank had the lowest lending rate, setting its base rate at 6½ per cent., while taking a cut in margins to boost the return to depositors to 4 per cent.

At the top, Barclays and National Westminster are on a base rate of 7½ per cent., but with Barclays also offering the best return to depositors at 4½ per cent.

The increases last week followed the increase of 2 per cent. to 7 per cent. in the Bank of England's minimum lending rate, the previous Friday. This rise left the markets in an unsettled state, with growing expectations of another increase in MLR at the end of last week until the Bank made it clear that it did not want the rate to rise again.

It is hoped that the markets will become more settled now. The banks however, may be prepared to wait some time before making any further moves. The pressure of demand for lending is not very high and the impact of their differing rates on business may not be very substantial in the short term.



Crude oil likely to cost less

BY RAY DAFTER, ENERGY CORRESPONDENT

WORLD OIL PRICES are likely to fall in real terms next year as the rate of inflation in the major industrialised countries outstrips the crude oil price rise expected to be imposed this month by the Organisation of Petroleum Exporting Countries, according to a report published to-day.

There is a good chance that oil prices will remain fairly constant in 1979 before beginning another steady rise in the 1980s.

The view, now gaining acceptance in the energy industry, is put forward by the international economic consultants Economic Models in a report on energy consumption in Western Europe, the U.S. and Japan.

The report believes that OPEC will raise oil prices by no more than 5 per cent. when it meets in Caracas on December 20. The inflation rate in the industrialised world is expected to be nearer an average of 7 per cent.

There are four main reasons for this view: the large volumes of oil in storage; the over-production by OPEC members this year; the slowdown in the economic recovery of the industrialised world; and delayed reactions to the five-fold oil price rise in 1973 and 1974.

By 1980—the year for which Economic Models is forecasting a significant recovery in world economic activity—oil prices will probably have begun to rise again in real terms.

The report says that the scarcity value of oil will then be better reflected.

Some oil producers, like Saudi Arabia, will be better able to absorb the petrodollars from higher production. Furthermore, there will be greater incentive for oil consumers to conserve energy.

The U.S. thirst for imported oil could be a crucial factor. By 1981, the U.S. is expected to consume an extra 5.1m. barrels of oil a day as against this year's demand.

Domestic production, on the other hand, could fall by 1m. barrels a day, even allowing for the temporary respite provided by Alaskan supplies.

Primary energy consumption in the U.K. is expected to grow at a slow rate by international standards, rising by just 6.8 per cent. between 1978 and 1980; and by 7.2 per cent. between 1980 and 1985.

This modest growth could occur in spite of the fact that the economic growth might be considerably higher than it has been recently and that, apart from the transport and chemical sectors, there might be little conservation of energy.

The natural gas industry is expected to register "remarkable" growth during the next decade, particularly in the domestic sector.

About 120m. tonnes of coal are expected to be consumed in the U.K. in 1981, a demand rising to 124.1m. tonnes in 1986 (as against 121.6m. tonnes last year).

Nuclear energy's share in total primary energy consumption is expected to rise from the present 4.5 per cent. to 5.5 per cent. in 1981 and to 6.4 per cent. in 1986, by which time its contribution will be equivalent to 14.4m. tonnes of oil annually.

DIAMONDS FOR INVESTMENT

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ART GALLERIES

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

Christine Moir takes a critical look at the Institute of Chartered Accountants' first public pronouncements on the subject of financial reports to employees

Assessing too little too late

THE INSTITUTE of Chartered Accountants in England and Wales has at last caught up with the rest of the business community and produced its first thoughts on the subject of financial reporting to employees. Late last month it published what is described as a "first appraisal" of the subject. Unfortunately, it amounts to just that; in the context of the current stage of development of such reports its contribution is less than seminal.

Commissioned by the research committee of the Institute, the study takes too little account of the mass of work carried out on the subject of employee reports over the past two years. Understanding of the role, contents and presentation of such reports is considerably further advanced than the accountants' study implies.

Since the study was completed in December 1976, the author, Mr. L. D. Parker (who has since returned to an Australian university, can be excused for not including any work done this year. But the delay in publication — 10 months from completion to distribution—is itself disturbing.

The Institute claims that the delay is not significant, but throughout the study there are indications that opinion within the Institute is still deeply divided over the status of employee reports.

For instance, the basic issue—whether employees have a right to know the financial position and prospects of their company—is still unresolved. Mr. Parker's own views on this subject are far from clear. On the one hand he seems to argue that employees have a fundamental "moral" right to be told such matters. Yet in the end he comes to no solid conclusion, throwing it open to further discussion. He will only go so far as to say "the accounting profession may eventually come to the conclusion that company employees have a fundamental right to be informed . . . such a view implies that company financial reports to employees ought to become mandatory."

In this he (and, by implication, the Institute) lags behind Government and the rest of the business community. In both the White Paper published last Tuesday on the Conduct of Company Directors, and the earlier Green Paper on the Future of Company Reports, the Government has made clear that employees do have that fundamental right.

The BIM surveyed some 400 firms in 1975 and discovered that 56 per cent. of them regularly supplied employees with financial information. This percentage was said to be increasing.

Outside the Institute this point is, therefore, well on the way to resolution. The only unresolved question of principle now revolves around whether such reports should have full equivalent status to shareholders' reports, including the hallmark of an independent audit.

Instead of concerning itself with matters such as these, the study is pre-occupied with the "credibility" of reports from management to staff. This problem occupies a great deal of the study, which appears to recommend strict neutrality as the only method of ensuring employees' willing belief.

In practice both the problem and the desideratum can be set aside; the former because it is not apparently a major one (a CBI report suggests that 63 per cent. of employees do believe in management statements); the latter because it is impossible to achieve.

One company which has conducted a series of surveys among employees on their attitudes towards employee reports is the Charles Barker Employee Communications Unit. Its director, Mr. Michael Arnott, points out with reasonable commonsense that no matter how objective such a report is thought to be, it is unlikely that an employee will concede it to be neutral. The employee will always be aware of the source from which the report emanates.

According to Mr. Arnott, however, this does not in itself diminish the credibility of management's statements. A number of sample studies have revealed that the workers are much more upset by what they see as lack of information than by the credibility of the information they do receive.

When he comes to the section of his study concerned with the presentation of the report, Mr. Parker stresses the need for simplicity. Once again, this opinion has already been fairly well documented. (See this page, October 3, 1977.)

One problem usefully raised by Mr. Parker—and indeed his study is worth reading if only because much of the basic discussion can bear repeating—is the quality of statements by company chairmen. In a flood of devastating examples drawn from the 1975 reports of major companies, Mr. Parker indicts chairmen for being patronising and for indulging in irrelevant political rhetoric.

This is a valid point and one which is borne out by employees who have been questioned on just this subject. The credibility of chairmen, otherwise quite high, diminishes rapidly when they turn their pens to the subject of running the country, rather than the company.

Mr. Parker then becomes far more critical. He argues that if chairmen's statements are paternalistic and polemic, employee reports would be better off without them.

Unfortunately, Mr. Parker's negative approach could produce the opposite effect. The omission of a message from the company chairman could damage his status within the company. The role of policy makers who are not seen to be fulfilling an executive function is misunderstood enough already without giving employees a chance to claim that their chairman has nothing to say on the company's position or prospects.

Chairmen could well supply more information about the areas in which employees want to be told more. A number of areas were identified by recent Charles Barker studies of two large concerns which produce employee reports. They include news about developments in other parts of the company, information on the way sales are going, and overall plans for the future of the company.

In mid-November the Industrial Society held a conference on the production of employee reports at which spokesmen for a number of companies spoke of their own experience. One was Mr. Richard McNamara, personnel director of Staffordshire Potteries. After discussing the way in which the company approached the presentation of its report, he described the reaction from the staff after its publication. Of the 1,200 people employed at the potteries, 75 per cent. said they had read the report but even the 25 per cent. who claimed not to have, went on to make intelligent comments about sections of it.

Employees were interested first in the section about themselves, secondly in information about customers and thirdly in the facts about distribution of wealth created. A third of them found it difficult to understand but two-thirds said they would like to receive another next year.

Most crucial of all, one of the strongest points in the report—that 79p in every £1 the company made went to employees—was remembered by 72 per cent. of the staff. Almost of equal importance was the discovery by the management that its staff were pleased the company was making money!

This attitude is borne out by a number of other studies which prove that, contrary to received wisdom, the bulk of workers do not think that profit is a dirty word. Far from it—in the main they believe that profit growth is important if only for the purely personal reason that it is linked to higher wages.

Of course, more information is still needed if workers (and frequently middle management) are to grasp the economic facts of life and company health. Mr. McNamara himself admitted at the Industrial Society's conference that preparing the report gave him a big shock. "I discovered that accounts do not mean what I thought they meant. Taxation and depreciation I had previously misunderstood."

This leads on to the question of who should be responsible for the preparation of employee reports. Mr. Parker, in his study, assumes throughout that it should be the company accountant. "Since the accountant is primarily an information specialist, he should be best fitted to advise a company regarding the design and compilation of a report."

That assumption is, to say the least, arguable. Many companies see the production of such reports as part of the function of the industrial relations or personnel department. One recent study showed that of 54 companies, half considered it a joint function of public relations and industrial relations, and a quarter relied on personnel.

Least suited

There is a prima facie case for saying that just because accountants fully understand financial reports and are familiar with them, they are the least suited to introduce them to others for the first time. Unless individual accountants are by nature, good teachers, they may make a worse job of it than less professionally qualified managers.

Justification for this rather harsh criticism of Mr. Parker's study lies in the impact it must be assumed to have on boards of directors, published as it is under the auspices of the ICA.

Companies still contemplating whether to implement employee reports have considerably more information and experience to draw on than is suggested by this study. Furthermore, the debate over employee reports is long past the stage where their justification—in the context of overall internal communication—needs to be assumed.

The Reporting of Company Financial Results to Employees—a first appraisal. By L. D. Parker. Research Committee Occasional Paper No. 12. Published by the Institute of Chartered Accountants in England and Wales, Moorgate Place, London, E.C.2. Price £2.50.

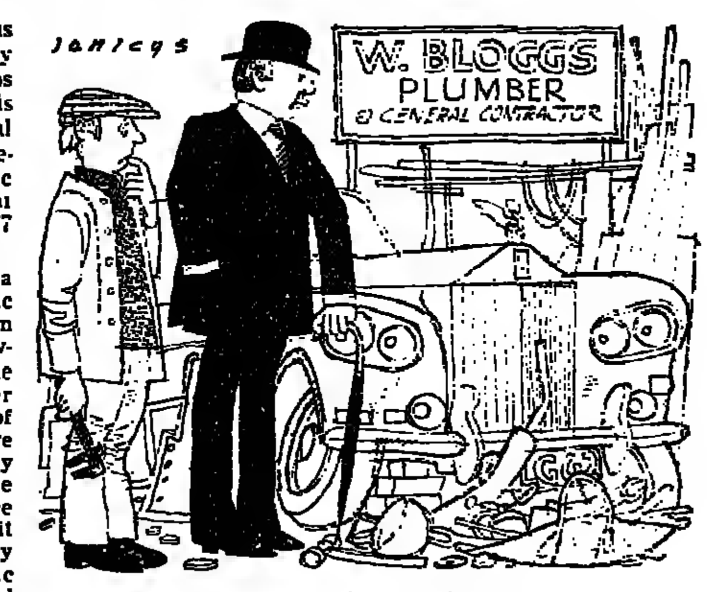
EXECUTIVE HEALTH

BY DR. DAVID CARRICK

Why the mountebank and the quack still thrive

ONE OF the more marvellous myths maintained by a majority of non-medical people concerns the Hippocratic Oath. Thus it is believed that all medical doctors, on qualifying, are required to swear obedience to the rules laid down by the great Greek physician some 2,377 years ago.

It is possible that such a ceremony takes place in some countries, but it has not been the case in England within living memory. Nevertheless, the broad outlines of the prayer form the basis for the code of ethics by which physicians are required to abide; and the body which jealously, and on the whole justly, ensures obedience is the General Medical Council (GMC), whose name usually comes to the notice of the public only when a registered medical practitioner has broken one of the rules in a manner so naughty that his sin is newsworthy.



. . . . completely ruined the Rolls

But there are numerous other regulations which lack a sufficiently spicy savour to attract the media, including a rather vexed one whereby a physician is forbidden from "association" with non-registered practitioners of physick. Such people are more usually described as quacks, a rather unfortunate old name that appears to derive from "quack-salve," meaning a mountebank who prattled about his magical elixirs and nostrums from the back of a wagon to receptive rustics in medieval fairgrounds.

Although the rule may seem harsh, there is good reason for its application, because, whereas many who are included in the category are able, skilful and competent and are trained in their art for long periods, there are very many who set themselves up in a sort of practice without any relevant training.

And, whether they be of the best variety or the worst, should some unfortunate accident occur during treatment of a patient, the greatest penalty is imprisonment. They cannot be "struck-off," and thus lose their future livelihood, because they have never been "struck-on," so to speak.

Why, therefore, is it that one only hears of miracles and great successes performed by non-registered practitioners and never of even a fractional failure? The answer lies with one of the most obstinate of human frailties: vanity.

Satisfied

If, in a certain village, there dwelt a plumber who was famous for mending cars efficiently and, above all, more cheaply than any garage, be certain that his business would flourish. His praises would be sung and satisfied customers would recommend him to their friends.

But supposing a wealthy executive (even the one who reckoned that I was "almost as good" as his naturopath), took his Rolls to the plumber; and the poor plumber, lacking in specialised knowledge and equipment, yet not wishing to disappoint or to be beaten, completely ruined the Rolls, what then? Would that executive be silly enough to sue the plumber? Even more: would he tell his friends that his Rolls had been wrecked by a plumber? If so, I doubt whether anyone would hold much faith in his judgment on any sort of business matter. Thus he would keep the matter very quiet even, or particularly, from his wife.

And even less likely, I fancy, will the man whose health has been seriously damaged by a well-meaning unorthodox practitioner, tell his friends and relations what has befallen him. He most certainly will not breathe a word of the adventure to his unfortunate physician when he seeks restoration of his well-being.

Now there are some who will regard these words as being bigoted: as being typical of any member of a profession which seemingly begrudges the incursion of any trespasser on its sacred precincts. But this would be a sadly incorrect and equally bigoted interpretation, because so far as I (in common with most physicians) am concerned, although I cannot "associate" with any non-registered practitioner, if any one of this large and motley band can procure health in those whose disorders defeat such slight skills and knowledge I possess, then I am only too delighted.

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Business books

Humanising the Workplace, by Richard N. Ottoway. Croom Helm. Price: £7.95. Attention is now being focused on the problem of improving the working environment and this volume presents a range of views from researchers illustrating what has been achieved and what goals and objectives ought to be set.

Philosophy and Practical Education, by John Wilson. Routledge and Kegan Paul. Price: £3.95. There are many ways of relating philosophy to education: in this study, the author adopts an approach arising from protracted discussions with teachers and educators and from his own experience as a lecturer.

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A vote that matters

THE EUROPEAN Assembly Elections Bill, like the Wales and Scotland Bills now before Parliament, raises issues of considerable importance in which it is disappointing, if not surprising, to find only a small minority of MPs taking an interest. All three Bills concern constitutional change, the consequences of which we shall have to live with for some time to come. Moreover, it is striking that among those who do take an interest, most are against the legislation proposed. There is scarcely a handful of Members, for instance, who wish to proceed to direct elections to the European Parliament by the speediest method possible, although it is generally admitted that the Bill will eventually go through. Equally, there is almost no detectable enthusiasm for the Scotland and Wales Bills, despite the widespread conviction that they will pass their Third Reading.

Mistake

And yet if the passage of the Bills is regarded as a *fait accompli* born of strange political alliances and necessities, it is surely worth seeing that they go through in the best form possible. There is one particular case here where it looks on present head counts as if the House is about to commit a grave mistake, and it concerns the method of election to the European Parliament. The Bill proposes two alternatives: one, known as the regional list system and preferred by the Government, provides for a degree of proportional representation; the other is the first-past-the-post system used in normal British elections. Members will choose between them in a free vote probably early next week.

As it happens, only the list system would allow the elections to take place on schedule in May or June next year. That argument is not itself decisive: it cannot be said that Parliament should accept a bad system merely for the sake of holding direct elections on time. Europe would not suffer unduly by a postponement of a few more months, though the delay would certainly be inconvenient. It also happens, however, that the list system is the better of the two proposed. For one thing, it is the only way of ensuring that some of the smaller parties are represented in Europe at all. Since the Parliament is essentially advisory and consultative, rather than concerned with the business of forming a Government, it is surely desirable that representation should be given to as wide a spectrum of opinion as possible. For another, even the two big parties might not be safe from anomalous results imposed by a system of first-past-the-post. With a British quota of only 81 seats (as distinct from 635 in Westminster) it is perfectly possible that elections could throw up an overwhelming Labour or Tory majority that would be quite unrepresentive of the country as a whole.

Three main arguments have been put against the list system, all of them dubious. The first — that such a system would be too complicated for the electorate to understand — is an insult to the British people. There is no evidence that the British are any less intelligent than (say) the West Germans who handle a comparable system with ease. The second is that PR in Europe would open the door to PR in Westminster. Perhaps it would; MPs should remember, however, that the choice will remain in their own hands. No one is going to be able to impose PR on them against their will. The third argument concerns the ability of the electorate to identify with its European Member. All one can say to that is that it is going to be a problem anyway. There is no reason to assume that identification will be any easier with a Member for a very large constituency than with several Members for an economic region. It will be up to the Members to do their best.

Disservice

It appears that the outcome of the vote will depend on the Tories, most of whom are preparing to vote against the list system. As the self-styled Party of Europe, they need to think again before choosing a system that by the unrepresentative results it might produce could yet do the European cause a disservice.

No agreement on commodities

THE NEGOTIATIONS on establishing a Common Fund to stabilise commodity prices were suspended on Thursday but they have not collapsed. That may seem a hair's breadth distinction. But it marks an important difference between leaving open the possibility of taking up the threads again and a nasty showdown between developing and industrialised nations. For the moment this has been avoided but little else has been achieved by nearly four weeks of debate at Geneva.

Test case

The Common Fund is almost the only proposal from the package put forward by developing countries during the North-South dialogue on which there had been some progress. After the commitment in principle to support it given by the West at the Paris Conference on International Economic Co-operation in June, developing nations have come to regard it as a test case of the West's good faith. The failure to achieve an acceptable compromise is bound to lead to bitter political recriminations. It also provides a handle to the militants in the Third World to press increasingly extremist demands over the whole range of North-South issues.

From the start the two sides disagreed both on how the fund should operate and on the philosophy behind it. The developing nations envisaged it as a multilateral institution overseeing the world's commodity markets and as a source of aid for commodity exporters in difficulty—a type of sister organisation to the World Bank and the International Monetary Fund. This was a non-starter for most Western governments. The West sees the need for a system for reducing fluctuations in commodity prices as lying in individual agreements on buffer stocking worked out between producers and consumers. On this model the Common Fund would have acted as a banking facility for participating commodity organisations, offering them a saving in capital through pooling their resources and a strengthening in their borrowing powers.

From this fundamental difference of view stemmed the particular conflicts that led the developing nations to call for a suspension of the conference: the implicit refusal by Western governments to make direct financial contributions to the fund that would have established its worldwide character; the opposition to tagging on to it a "soft window" for aid purposes; and the rejection of Third World demands for majority voting powers. The only concession made by the West—and it marks a considerable advance—is the apparent readiness of most consumer governments to share the burden of buffer stock financing.

The U.S., the EEC and possibly Japan are now likely to support negotiations to achieve new commodity agreements or to refurbish those in existence. Tin, rubber, coffee, cocoa, copper, sugar, jute and tea could all come up for discussion. The South-East Asian states and the Latin Americans stand to gain from participation in new commodity agreements by the major industrialised countries.

Indeed it has been the West's strategy all along to push ahead with these in the belief that once they had come into operation, a Common Fund on the lines proposed by the West would almost automatically fall into place. But such a Fund holds no attraction for the majority of African States. They wanted the Group of 77 to stage a walk-out but agreed to a suspension to preserve the facade of unity.

Workable

This potential split among the developing nations could mean that the West will yet gain its way over the shape of the Common Fund. The facility it is proposing makes sense and is workable. But it will take a long time to achieve and be at the expense of further exacerbating tensions between North and South. It would be as silly to shrug off the dangers of this as it would be to cave in to Third World demands for restructuring commodity trade.

A fight to share out the EEC fishpond

BY ROBIN REEVES in Brussels

THE COMMON MARKET Council of Ministers concerned with agriculture and fisheries sits down today for yet another two-day attempt to reach agreement on a new common fisheries regime. It is not the first time that other problems have been set aside in an attempt to resolve the thorny issues involved in the EEC's complex fisheries dossier. Unhappily, it promises not to be the last.

Common Market ministers have been trying to deal with the consequences of last January's move from 12 to 200-mile fishing limits for 18 months. Diplomats and officials of the nine member states and the European Commission have spent more hours between Council meetings than they dare contemplate, wrestling with one crisis after another. Yet the Community seems as far away from agreeing on a revised common fisheries policy which meets the requirements of all parties as it ever was.

The basic conflict of interest remains the same. On the one hand, Britain and Ireland are demanding a common fisheries regime with a share of the total available catch taking full account of their 80 per cent share in the EEC's new 200-mile fishing zone, and, in the British case, the substantial loss of fishing rights which the fishing industry has sustained in non-EEC waters. The rest of the EEC and the Commission are clinging to the principles embodied in the Rome and accession treaties and the original common fisheries regime which foresees equal access for Common Market fishermen throughout EEC waters, eventually right up to the beaches. In the meantime, the essential reason which led to the general scramble to 200-mile limits—the dangerous depletion of fish stocks—remains as serious an issue as ever.

Although a system of voluntary quotas, worked out under the auspices of the now defunct N.E. Atlantic Commission, is supposed to have governed the level of catches this year, according to industry sources fishing of the main species of commercial white fish will be heavier this year than last. It is making a mockery of the benefits the 200-mile limit was supposed to bring in terms of improved management and conservation of fish resources. The longer overfishing goes on, the longer will it take for fish stocks to recover, and the longer will be the period during which EEC Governments will be forced to try to reconcile the conflicting claims of their respective fishing industries to a viable share of the limited amount of fish available.

The Council of Ministers began over a year ago by concentrating on issues on which it could agree, notably the need to enforce a sharp cut in the amount of fishing by non-EEC countries in the 200-mile pond to be created by January 1. In line with the principles established in the UN Law of the Sea conference, it was accepted that vessels from non-EEC countries which could not offer reciprocal fishing rights in their own waters would either be excluded immediately or gradually phased out of EEC waters. Countries with waters of interest to EEC fishing fleets were to be offered reciprocal agreements allowing them comparable access to EEC waters.

The net result was that vessels from Japan, Romania and Bulgaria were barred immediately from January 1, while other countries like Spain, Portugal, East Germany, Poland and the Soviet Union were required to comply with a brutal cut of their traditional fishing in the EEC's new limits, by means of quotas imposed on them unilaterally by the Community. In the case of Iceland, Norway and the Faroes on the other hand, the EEC set about trying to secure continued generous access for Common Market fishermen to their waters.

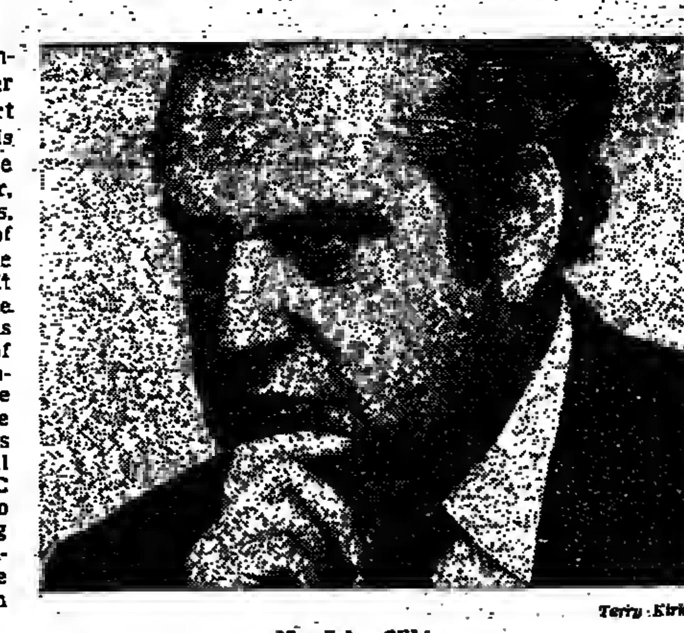
REGIONAL DISTRIBUTION OF NATIONAL CATCHES 1973

(1,000 tonnes assuming national 200 mile limits).

	Within own waters	In other EEC waters	In non-EEC national waters
Britain	667	3.4	378
France	160	275	160
Netherlands	79	135	7
W. Germany	21	113	284
Denmark*	991	263	199
Ireland	72	8	—
Belgium	26	15	8
USSR	827	301†	479
Norway	2,058	366†	275
Iceland	841	44†	7
Faroes	31	80†	108
Sweden	92	33†	90
Poland	160	28†	28

* Including Greenland. † Within all EEC waters.

Source: European Commission



Terry Kirk

Mr. John Silkin

Even that process could not get under way immediately. The Irish Government blocked the opening of the complex negotiations until the rest of the Community had accepted that the underdeveloped Irish fishing industry should be exempt from any general across-the-board reduction of EEC fishing activity required under a revised internal fisheries regime to conserve stocks. Special treatment for Ireland was agreed in principle by the Council of Foreign Ministers in what became known as The Hague Declaration, issued in October of last year. Mr. Anthony Crosland, the late Foreign Secretary, won similar recognition for the needs of communities in "North Britain" especially dependent on fishing. It was given in a declaration which effectively laid down the ground rules for Community negotiations to revise the common fisheries policy to take account of 200-mile limits.

Delicate task

Reducing the fishing activities of the Soviet Union proved a notably delicate task, since it confronted Moscow and its allies with having to extend diplomatic recognition to the Community — something they had always studiously avoided — if they wished to continue fishing in the EEC sector of the North Atlantic. Although there were some anxious moments, the Nine managed to stick firmly together, issuing solemn Council edicts requiring Soviet trawlers to cut their fishing in EEC waters from up to 600,000 tonnes in 1976 to little more than 150,000 tonnes on an annual basis this year and, later, demanding that Moscow must apply for EEC fishing licences regulating the number of vessels fishing at any one time. By February, the Soviet Fisheries Minister had been to Brussels to discuss the basis for a reciprocal fisheries agreement, opening the first-ever direct contact between Moscow and the Commission.

More recently, the Soviet Union appears to have been having second thoughts. British and French trawlers have been ordered to leave the Soviet sector of the Barents Sea, inducing the Council of Ministers to order a similar withdrawal of Soviet trawlers from EEC waters. Nobody is certain yet whether this state of affairs is permanent, but it has meant the loss of EEC access to some 60,000 tonnes of white fish on an annual basis, fish which has become all the more valuable because of the loss of Icelandic cod and the strict curbs on fishing in Norwegian and Faroes waters.

Less sensitive negotiations were conducted with other countries on possible reciprocal fishing access arrangements, though the failure of the Commission to win continued access for British trawlers to Iceland's 200-mile zone after the expiry of Britain's bilateral agreement last December was a notable disappointment.

Even externally the continuing impasse about the shape of the internal fisheries regime has made life difficult. It has been impossible to tie up definitive reciprocal arrangements until the Nine have decided how much of the fishing available in EEC waters they propose to reserve for themselves, and therefore how much may be exchanged for fishing access elsewhere. In practice, reciprocal fishing arrangements have been cobbled together on an interim basis, three or four months at a time, and not always with very satisfactory results. British fishermen were infuriated recently when French and German trawlers fished out the EEC's four month quota in Norway waters before British trawlers had the opportunity to catch their rightful share as agreed in the EEC Council.

It is difficult to see quite when the long-drawn out dispute about the internal fisheries regime is going to be settled. Britain and Ireland are standing almost shoulder to shoulder, still insisting that the legitimate needs of their fishing industries, the resources they are contributing to the community pool, the requirements of conservation and, in the British case, compensation for losses in third country waters can only be adequately met by an exclusive national belt of up to 50 miles offshore.

Last summer, Mr. John Silkin, the British fisheries minister said, that as an alternative, he was prepared to look at an exclusive band of only 12 miles, with "dominant national preference" in waters up to 50 miles. More recently he said he would also look at any other ideas if they promoted constructive discussion and a comparable result.

But the rest of the Community is not willing to give up lightly the leverage afforded by the present common fisheries regime, which limits exclusive bands from 6 to 12 miles offshore and envisages even their disappearing after 1982. The Commission for its part, does not dare stray from these arrangements which are embodied in the EEC Accession Treaty, however much it may sympathise privately with the British and Irish view that circumstances now are totally different.

Conservation needs

The net result is that the Commission has stuck firmly to quota proposals as the only reasonable method for reconciling the conflicting claims of EEC fleets on the total available catch and meeting conservation needs. In the Commission's latest proposed distribution of fishing in 1978, the British share is estimated to be only some 21 per cent. That has already been dismissed as totally inadequate. Mr. Silkin has reiterated that Britain must have a share which reflects its 60 per cent contribution to EEC fish resources and its third country losses—both elements which are not allowed for in the Commission's latest recommended shareout.

The worst has been avoided by the piecemeal adoption of conservation arrangements, usually renewable month by month, most notably the ban on herring fishing in the North Sea and the ban on fishing in the so-called Norway Pout Box, a large area off North East Scotland. Norway pout is barely fit for human consumption (since it is full of bones), but it is fished extensively to make animal feed, particularly by Denmark's largest industrial fishery. The Norway pout ban has proved necessary in order to conserve the breeding grounds and immature stocks of other threatened species such as herring and haddock.

These bans have produced a great deal of bad feeling. The majority of EEC member Governments have been under intense political pressure from their fishing industries to fight for at least small quotas. But largely thanks to the U.K., the Community has stayed on the path of righteousness. To its intense irritation, the rest of the Community has had to agree to the bans as a community conservation measure or to witness their being applied unilaterally by the British Government under the terms of The Hague Declaration.

West Germany, Denmark and the Netherlands have suggested that the provision of The Hague Declaration—which allows member states to take non-discriminatory unilateral conservation measures so long as there is no comparable EEC measure—lapses at the end of this year. So the matter may be taken to the European Court.

Ireland has attempted to secure a de facto exclusive coastal band by placing a conservation ban on all vessels over 110 feet from coming within an area varying from up to 50 to up to 100 miles off the Irish coast. The commission challenged the measure as discriminatory (Ireland has only one vessel of this size), and the European court eventually ordered the ban to be lifted.

Mr. Silkin has been hinting that more stringent conservation measures could be necessary in the near future. Far stricter rules on net sizes and the types of nets which can be carried at any one time would greatly help to reduce catches of immature fish and promote the better management of stocks. The U.K. believes that the proposals tabled by the Commission in this area are far from adequate. The stage may therefore be set for more unilateral British action. It will not be popular in Brussels, but the end result could be the development of a more comprehensive *de facto* common fisheries conservation and management regime, effectively imposed by Britain.

POTENTIAL CATCH IN BRITISH WATERS

(m tonnes)*

In 200 mile belt	3.5
In 100 mile belt	2.8
In 50 mile belt	2.5
In 25 mile belt	1.9
In 12 mile belt	1.1

* Assumes recovery of stocks

Source: British United Trawlers

MEN AND MATTERS

Imperial pomp and circumstances

The cult of do-it-yourself reached its apogee in the Central African Empire (ne Republic) yesterday as former President Jean Bedel Bokassa crowned himself Emperor in Hollywood-Napoleonic style.

He then moved on at a brisk pace to crown his 28-year-old wife Catherine as Empress and appointed his four-year-old son Jean Bedel Georges Bokassa as heir to the landlocked, impoverished country over which he has ruled for the last eleven years.

At a total estimated cost of around $25m., or one quarter of a year's foreign exchange revenue, the ceremony, which took place in the heavily decorated basketball court of the three-storey municipal sports stadium of the imperial capital Bangui, has been criticised as somewhat excessive by leaders of other African countries.

It has also proved somewhat of an embarrassment to the French Establishment. Most of the champagne, wines and food were imported from France, as were the throne, the carriage and the specially trained horses to draw it.

France, furthermore, cultivates its ties with former colonies in Francophone Africa and clearly, under the circumstances, had to send an official representative. At first it was assumed in Paris Michel Poniatowski, the French President's personal special emissary and close friend, would go. But he soon found other pressing business to attend to and the honour passed to Justice Minister Alain Peyrefitte. The latter felt that such a task was not for a member of the Academie Francaise however, and passed the baton to Foreign Minister Louis de Guiringaud. The Quai d'Orsay was, reportedly, not amused and the honour finally passed to Overseas Development Minister Robert Galley.

It was therefore the reportedly less-than-enthusiastic Galley who found himself among the several thousand guests who waited, wilting, in the steamy heat of the riverside capital yesterday while a last-minute hitch delayed the ceremony for 90 minutes. Aides handed out glucose sweets to keep the guests' pecker up.

Was it worth waiting? Eye-witnesses described the scene as unrivalled for pure pomp and bizarreness since Haile Selassie mounted the Ethiopian throne 47 years ago.

Bokassa arrived at the municipal stadium, after a ride through the capital in a gilded coach drawn by 30 grey-dappled horses, dressed in a gold-trimmed Roman-style toga. This was tied around by a broad sash in the imperial colours of red, white, blue, green and yellow.

Accompanied by the future Empress Catherine, in a shimmering gold lame dress and an eight-foot train, the soon-to-be-Emperor then alighted and walked slowly along the red carpet towards the 15-foot gilded eagle with an 18-foot wing span whose tummy had been thoughtfully removed to provide space for the red velvet throne itself.

At this point he was handed the six-foot diamond-encrusted sceptre of office and draped in a 20-foot-long, ermine-trimmed, red-velvet cloak. Thus attired Bokassa accepted the gold crown, studded with 2,000 diamonds and topped with a golden globe the size of an orange, from the Court Chamberlain and placed it on his head. Thus did Central Africa and the world find itself with a new Emperor.

Grin and bear it

Ninety top U.S. executives, five Deans of business administration schools and seven comedians have recently spent their time looking into the serious subject of humour in business.

Their conclusion, according to management consultant Richard Cronin as reported in the current issue of International Management, is that "Humour in business is disappearing." What is worse it is being replaced by "a deadly serious approach to almost every business situation. The joke, the quip and the humorous anecdote are now often viewed as time consuming, costly diversions from the very serious regimen of operating a business at maximum potential."

Well over 90 per cent. of the executives who took part in the survey deplored the decline in humour and agreed, that all other things being equal, they would hire an applicant with the greater sense of humour when looking for new staff. But only 60 per cent. thought that humour could be correlated with success in business.

The blame for the decline in business humour is placed on increased pressure for profits and performance and the impact of Business Schools with their "no nonsense disciplines in highly structured programmes, thus creating aggressively competitive executives whose climb to the top leaves no room for fun along the way."

Having gone through all this heart-searching however one of the five Deans involved concluded "Except as a joke no one with a sense of humour could possibly conduct a survey like this one." Or, as Groucho Marx might have said, "A good business joke is no laughing matter."

Garlic mousse

The Thai Government has developed a somewhat labour-intensive but highly effective form of pest control. It's a sort of *ratfest*, when everyone in the rural areas takes to the rice paddies armed with a sack.

There's a reward for the man who brings back the most rodents and a feast, songs and dancing for everyone involved.

Only trouble is that the main dish at the "harvest supper" is roasted rat.

Monty Pythonesque as it may seem, I am assured by my disgusting diners correspondent that a French journalist who attended one of these rat-catchers' balls compares rat with garlic to a cross between rabbit and dog.

Which serves only to make me wonder where he developed his taste for dog.

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Monday December 5 1977

EUROPE

Many of the countries of Western Europe are facing political uncertainty, social tension and economic difficulties. The aim throughout Europe is to solve them by negotiation rather than confrontation.

A few rays of light

By Reginald Dale
European Editor

IT IS easy to paint a gloomy picture of the outlook for Western Europe as 1977 draws to a close. The hoped-for economic recovery has failed to materialise and in a number of countries the political situation is profoundly uncertain. Few Governments can claim to have found satisfactory answers to the continuing problems of recession and unemployment, which are now seen to be much more deeply rooted than originally expected, and the threat of renewed inflation remains ever-present. Strong social tensions are simmering below—and in some cases above—the surface.

The European Community is faced with a new series of membership applications which raise major question marks over its future development and which are already bringing out deep divisions between the member states over the future of European integration. A number of Governments, particularly among the Community's smaller countries, fear that the closely knit supranational unit they have always sought is now moving permanently beyond reach. And while the threat of a new Middle East war, with potentially disastrous consequences for Europe, has perhaps temporarily receded, the continent remains more vulnerable to developments outside its borders than at any other time in its history.

The first effects of the long-term trend which will shift labour-intensive industry to the developing world are beginning to be felt in Europe, most spectacularly in textiles, but few Governments are remotely prepared for the challenges of the years ahead. Protectionist forces, so far largely contained, could quickly reach critical mass, and steps to forge new relations with developing countries in the North-South Dialogue are so far totally inadequate. Most Europeans remain blissfully ignorant of the far-reaching economic and social changes that lie ahead.

Internal stresses are much more obvious. In Italy, the Communists may have lost a little of their momentum in recent months, but they are still only a step away from Government, and new, more militant groups are forming on the extreme Left. France faces the possibility that the March elections will return the Left to power for the first time in 20 years and Portugal looks set for a further period of confusion and uncertainty. Turkey is without effective Government and shows little sign of ability to solve its differences with Greece over Cyprus and the Aegean, and with the U.S. over arms supplies. The Netherlands is in the process of trying to form a Government which to most observers flies in the face of public opinion as expressed at last May's elections, and the U.K. could be headed for a new period of social confrontation and an early general election. West German society has been profoundly shocked by a brutal terrorist movement that threatens to strike again, while in the Mediterranean countries to the South the Eurocommunists remain a powerful but largely unknown force.

To the East, the outlook is equally uncertain. Neither the Tito nor the Brezhnev era can have all that much longer to run, and it is not known who their successors will be. The prospect of instability in Yugoslavia is particularly alarming to most West Europeans. Meanwhile, the massive Soviet build-up of conventional, nuclear and naval weaponry goes on.

But the picture is not all black. Democracy has been firmly and impressively restored in Greece, Spain and Portugal, all of whom are now hoping to underpin their new parliamentary regimes by Common Market membership. The Spanish achievement is particularly striking, given the widespread fears that the post-Franco period would bring violence and disruption and the very real dangers that lay behind them.

The EEC, though it has not made much headway in the past four years, has at least survived, and its very existence has almost certainly helped to restrain protectionist forces in West Europe. It was bad luck for the Community that recession should have struck at the very moment it was trying to cope with the entry of three new members, one of whom can hardly be described as a major integrationist force—particularly under a Labour Government. Despite Mr. Roy Jenkins's recent bid to revive ambitious plans for economic and monetary union, there is not likely to be any major new construction work done on the European edifice in coming months. But at least the foundations are still there.

If they are to be built on, most "Europeans" are now looking towards a directly elected European Parliament to lay the next bricks. That would doubtless be in the teeth of opposition from France and the U.K., whose lack of enthusiasm is almost certain to delay the first Europoll. But there can be no doubt that a directly elected Parliament will fight tenaciously for greater powers, and the chances are that over the years it will be successful.

In Brussels the North Atlantic Alliance, after years of virtual stagnation, at last seems to be regaining a sense of purpose—largely as a result of growing public anxiety about the Soviet build-up and doubts as to Moscow's intentions. Following President Carter's initiative at the Nato Summit in London last May, the Alliance is now seriously examining qualitative improvements in its forces and ways to step up the co-ordination of defence procurement policies in the so-called "two-way street" between Europe and North America. Trans-Atlantic relations in other fields may have come under strain in the early days of the Carter Administration — particularly over the new President's abrasive handling of the human rights and nuclear non-proliferation issues—but inside the Alliance the atmosphere has distinctly improved and President Carter is generally considered to have fulfilled his initial promise to consult more fully with his European partners.

Anxiety

The current European anxiety is over the future availability of new American weapons such as the "neutron bomb" and the Cruise missile for the defence of Western Europe. A number of European Governments would like the U.S. to go ahead with the production of the neutron bomb, which they feel makes military sense for Europe, but are afraid of the reaction of their public opinions if they ask for it publicly. President Carter, on the other hand, may well not want to take the risk of going ahead with the weapon if he cannot demonstrate that the Europeans need it.

A different problem exists over Cruise missiles, where the Europeans are afraid that Washington will somehow commit itself not to transfer the relevant technology to its European allies in the SALT negotiations that are reaching their climax in Geneva. Washington has not yet found a way out of the dilemma of how to reassure the Russians and at the same time look after the interests of its allies. The Europeans are becoming a little wary of the argument that any agreement between Moscow and Washington that promotes detente and arms limitation is automatically to the advantage of all the Alliance's members.

In the broader field of East-West relations, most West European Governments now feel that they have gained more than they conceded under the 1975 Helsinki Agreement on Security and Co-operation in Europe. At the Belgrade conference reviewing the Agreement, the Soviet Union is firmly on the defensive over human rights, and if little concrete seems likely to emerge at the end of the exercise, some modest steps may be agreed to facilitate economic, cultural and personal contacts and improve mutual confidence in the other side's military intentions. East-West force reduction negotiations in Vienna are still stalled over how to assess the real strength of the forces confronting each other in central Europe, but the accepted wisdom is that progress should be possible once the U.S. and the Soviet Union have concluded a new SALT agreement.

Progress is also at last in sight in the long, drawn-out Tokyo Round of multilateral trade negotiations in Geneva aimed at setting the pattern of world trading relations for the 1980s and beyond, the success of which is vital for West Europe's economic interests. A positive outcome is not yet totally assured, but if a major package deal can be sewn up in the coming year, the Round's participants are confident that they will have struck an important blow against a new wave of protectionism from which Western Europe would be among the first to suffer.

The next priority is progress in the North-South Dialogue so as to establish Europe's relations with the Third World—its main raw material supplier and its export market of the future—for the rest of the century. If Western Europe faces internal political uncertainty and social tension, it at least has the chance in the "interdependent" 1970s to solve its external problems by negotiation rather than confrontation.

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EEC's external successes

ANY ATTEMPT to draw up a balance sheet of the EEC's achievements in the past few years is almost certain to result in a ledger *weighted heavily* towards successes in the field of external relations. In contrast to the halting progress and lack of direction which often characterises the handling of internal Community affairs, the Nine have steadily—sometimes even dramatically—enlarged the scope of their co-operation in dealing with third countries.

An important reason for this is quite simply that external relations offer more room for agreement than intra-Community issues. Taken as a group, the Nine have far more in common with each other than with most other areas of the world: the national differences that are liable to surface in a dispute over, say, regional policy fade into the background when it comes to negotiations with a country like India. Moreover, the elimination of trade barriers inside the EEC means that disruptions caused in one member State by an external problem, such as *low-cost imports*, are likely to spread rapidly to others.

The EEC's links with other countries have been formalised through an extensive network of contractual arrangements covering both the industrialised and developing worlds. The global Mediterranean policy embraces every coastal State except Libya, a large number of the developing countries are signatories to the Lome Convention, and negotiations are due to begin soon with China on a commercial co-operation agreement.

Apart from the U.S. (with which no formal bilateral arrangements are considered necessary), the one sizeable economic bloc with which the Community has yet to establish a regular dialogue is the Soviet Union and its East European allies. But there have been signs of change here, too, of which the most dramatic was the decision by Comecon to send a delegation to Brussels last autumn for preliminary talks with the European Commission on ways of achieving closer relations in the economic and commercial field.

The two sides have agreed to open formal negotiations next spring. But even if these start as scheduled, progress is likely to be slow. There are substantial differences on procedure, and the immediate prospects may have suffered from Soviet misgivings about the West's attitudes in the Belgrade review talks on European security, as well as from the continuing deadlock in the EEC's fisheries negotiations with Moscow. Nonetheless, the Soviets and their East European allies have never before come so close to granting diplomatic recognition to the EEC.

Cohesion

The Nine have managed to maintain a fair degree of cohesion in their approach to multilateral negotiations, notably those between the industrialised west and the developing world. After patching up their differences at the Rome EEC summit last spring, they were able to enter the concluding phase of the north/south dialogue in Paris behind a united front which embraced an acceptance in principle of the idea of a common commodities fund and a proposal for a $1bn. "Special action programme" to help the very poorest countries. Although the EEC's offer was deemed inadequate by the group of 19 developing countries, it was the most advanced position taken at the time by any of the industrialised participants in the negotiations.

Similarly, a common position has been taken in the Unctad Common Fund talks in Geneva (though both Denmark and the Netherlands would like the Nine to go rather further than other countries are prepared to do), and so far there has been no serious threat to the EEC's cohesion in the multilateral trade negotiations in GATT, despite French reservations about the degree of tariff cuts currently contemplated. On the other hand, the EEC's foot-dragging over preparations for *this year's international sugar* talks and its ability to agree only on a very limited mandate betrayed serious tensions behind the facade of solidarity.

Outside the framework of the Treaty of Rome, foreign policy co-ordination has been carried further through agreements reached between EEC governments in their political co-operation sessions. These have led to common positions being taken in the Belgrade review conference and towards Southern Africa. The EEC's most novel contribution to the Southern Africa dossier has been the code of conduct for the South African subsidiaries of European companies: though the code is still toothless, its adoption would have been unthinkable even a few years ago. Moreover, as recent angry protests by Pretoria about EEC "interference" show, the Nine's condemnations of repressive measures in South Africa do not go unnoticed there.

The EEC's role in the Middle East, such as it is, consists largely of issuing periodic declarations, and the Nine have never attempted to assume a more substantive political function in the region. It is acknowledged implicitly that attempts to push co-operation too far would risk highlighting the *significant differences* in attitudes on this question among the Nine, and partly for this reason they have tended to follow the lead given by the U.S., whose approval has usually been sought before the publication of any new pronouncement on Middle East developments.

This cautiousness has been one of the principal reasons for the lack of progress made to date in the one institutionalised channel of communication between the EEC and the Arab world—the Euro-Arab dialogue. Born in the turbulent wake of the 1973 OPEC oil price rise, the dialogue has never been able to surmount a fundamental contradiction between the views of its participants (the Community and the Arab League) as to what its real purpose should be.

Ironically, the recessionary aftermath of the OPEC oil embargo has played a major role in prodding the Nine into *speaking with one voice* in the face of the mounting problems besetting the system of world trade. As in other industrialised countries, slow economic growth, high unemployment, and the weakness of new investment have unleashed domestic pressures which have forced the EEC to rethink its traditional commitment to free trade. At last June's "summit" in London, EEC heads of government were unable to bring themselves to express more than their "attachment" to this hallowed principle and the fashionable doctrine in Brussels these days is one of "intelligent free trade."

This is a polite way of saying that if other countries build up what the EEC regards as excessive surpluses on their trade with the Community, or *achieve an uncomfortably high* degree of penetration in sensitive sectors of European markets, the Nine will apply pressure to correct the imbalance. This threat is made credible, of course, by the size of the Common Market and the difficulties which would confront any third country exporter whose access to it was impeded by trade restrictions.

Pressures

No country has been subject to greater pressures by the Nine to *change its trading practices* than Japan. For more than a year it has been the object of an intensive diplomatic campaign aimed at persuading it to restrain its shipments of products *like steel*, reduce its share of the world shipbuilding market, and open up its own domestic market to imports from Europe. More than half a dozen anti-dumping investigations into Japanese exports have also been initiated over the past year, though the Commission maintains that none of these have been direct retaliation.

Not all the countries which have been cajoled into restraining their exports to the EEC have been as rich as Japan. Indeed, a good number of those which have been confronted *with EEC demands that they* reduce or restrict the growth of their textiles exports in the recent round of Brussels negotiations have been relatively poor.

While seeking to stabilise low-cost imports into its own market, the EEC is simultaneously trying to fend off protectionist pressures aimed at its exports to the U.S. It now appears that a compromise is likely to be reached with the Americans around President Carter's proposal for a minimum import price which will avert an all-out war in the steel trade. But there is some concern in Brussels that such a move could set a precedent for conditions of trade for other exports.

Because of its cohesion as a trading bloc and the richness of its domestic market, the EEC has been able to wield a good deal more clout in the difficult world economic situation *of to-day* than any of its individual members could have done alone. But the measures which the Community has succeeded in negotiating or imposing to cope with problems like low-cost imports have tended to be of a stopgap nature. If any durable solutions are to be found, difficult decisions will have to be taken on such issues as the reduction of excess industrial capacity and declining competitiveness in the economies of the Nine themselves. The manner in which this challenge is tackled will show how far the EEC is able to translate into action on internal issues the cohesion which it has displayed in its external relations.

Guy de Jonquieres
Common Market Correspondent

The case for enlargement

IT IS IRONIC—and probably unfortunate—that the EEC should find itself wrestling with the challenge of how to cope with the admission of three new members at a moment when most of the nine governments are deeply immersed in domestic preoccupations and find it hard to look much beyond them. For of all the problems which the Community now faces, none raises more burning questions about its future development or demands a more *imaginative* and carefully thought-out solution than the issue of its further enlargement.

The Community has been negotiating with Greece for almost 18 months on its entry request, and the Athens Government is clearly impatient to conclude as rapidly as possible. Portugal formally asked to join last February, and the European Commission is at work on an opinion on its case which it hopes to be able to publish early next year. Spain's application came in at the end of July—sooner than many had expected—and the Commission has promised to report on it before the end of 1978.

The Nine have had little choice but to welcome these approaches, albeit with varying degrees of enthusiasm. It is acknowledged without exception that the EEC, as an organisation deeply committed to the principles of pluralist democracy, has a moral and political duty to encourage its development in neighbouring countries. To rebuff the demands of the three applicants outright could deal a severe blow to their fledgling democratic systems and weaken their defences to the threat of dictatorship of the left or right. The memory of Portugal's agonising internal upheavals is too recent for any of the Nine to want to risk a repetition.

On the other hand, the Community appears almost bereft of constructive ideas about how to tackle the formidable practical problems of fitting the applicants into the existing structure. All three are relatively poor by EEC standards, and Portugal's economy, in particular, is among the most backward in Western Europe.

Sizeable

To raise the level of economic activity in the applicant states to anywhere close to the EEC average would involve massive expenditures by the existing members, none of whom have so far indicated that they are willing to foot the bill. Yet unless a sizeable effort is undertaken, it is clear that the economic disparities which already make it increasingly hard for the Nine to agree on common policies will widen further in a Community of 12.

All three applicant countries have sizeable agricultural sectors, with an abundance of the small-scale inefficient producers of whom the EEC has far too many already. Unless the Common Agricultural Policy is radically modified, high EEC farm prices will encourage a dramatic increase in production and resulting surpluses of Mediterranean products like wine and olive oil, while farmers in Southern France and Italy will be hard put to compete against the lower labour *costs of farmers* in the new member countries.

In anticipation of these difficulties, both France and Italy have tabled demands for specific measures to protect their farmers after enlargement. The French Government is seeking a major extension of EEC market regulations to provide more effective coverage of products like wine, coupled with the establishment of minimum prices for intra-EEC trade in certain farm products.

These demands stand little chance of adoption, and West Germany has already made clear that it will not be prepared to pay for increased intervention in Mediterranean products. Even Italy is not prepared to go so far and is pressing for a more intensive EEC effort to achieve structural reform by pensioning off marginal producers and making agriculture more efficient. This is the approach also favoured by the Commission.

Industrially, the applicant countries are likely to provide an additional challenge in several of the sectors in which the *EEC* is already suffering a crisis of excess capacity and lack of competitiveness. When Dr. Mario Soares, the Portuguese Prime Minister, was asked by the Commission earlier this year to outline his Government's longer-term industrial strategy, his audience listened in shocked disbelief as he proceeded to enumerate textiles, shipbuilding and steel as the priority areas for national investment.

The institutional mechanisms of the Community, which many people believe have functioned less well since Britain, Denmark and Ireland joined, will also have to be reviewed if further deterioration is to be halted. Even the introduction of three new languages is likely to complicate working arrangements, and several of the smaller countries fear that unless there is agreement to permit wider application of majority voting after enlargement, virtual paralysis may set in.

This in turn could quickly lead to a situation in which all real decision-making power was concentrated in the hands of a few large governments, which would then impose their wishes on their EEC partners. It is precisely this fear which has caused the Benelux countries to temper their otherwise strong support for EEC enlargement with a certain caution.

Britain, by contrast, has made no secret of the fact that it welcomes enlargement precisely because it seems likely to weaken the centralising tendencies of the Community and to bring about major changes in (if not the total collapse of) the hated Common Agricultural Policy. The leaders of both the major political parties have now made clear that they are keen to see the EEC institutionally diluted and transformed into a looser association of states grouped inside a free trade area.

While other governments, notably that of West Germany, have angrily criticised this conception, none of them has so far done much to try to steer the Community in the opposite direction. The Commission has tried to prod member governments into action by pointing to the perils lying ahead. But under *the cautious* leadership of Mr. Roy Jenkins, it does not yet seem to have come to grips with the real problems or to have any clear idea of how to tackle them.

Politically committed to support the membership applications, yet confused and uncertain about what to do next, EEC governments have been showing increasing signs of wishing that their dilemma would quietly disappear—or at least that the task of finding a solution could be deferred for as long as possible.

Wistful

A number of governments are known to have looked back in wistful regret at their abrupt decision last year to reject the Commission's proposal for a special "pre-membership" period for Greece. From the EEC's viewpoint, this would have had the double advantage of ensuring that Greece had thoroughly prepared itself for integration before entry, while allowing the Community more time to put its own house in order before enlargement.

The proposal was dropped, however, after being angrily denounced by the Greek Government, which saw it as a stratagem to delay its entry. For much the same reason, both the Spanish and Portuguese Governments have said that they would not accept similar arrangements if they were offered. Both governments have emphasised their determination to gain entry to the EEC as soon as possible and to have their adjustment problems taken care of by appropriate transition periods of the kind agreed for Britain, Denmark and Ireland after they joined.

Similarly, suggestions that the three applications might be linked as part of a global package have also been received coolly by the candidate countries, and especially by Greece, which argues that its negotiations are too far advanced to introduce such an idea at this stage. Nonetheless, the conclusion of a membership agreement with Greece could take longer than if it had been the sole applicant, because the Commission is scrutinising every detail in the knowledge that it will have to run over the same ground with Portugal and Spain at some point in the future.

The candidate countries are keeping polite but firm pressure on the Nine, however, to prevent the enlargement process from stalling. If the EEC is to avoid disappointing them and is to ensure that the Community keeps moving in the direction which the applicants say they want, it cannot afford to delay much longer the tough decisions which will have to be taken.

Guy de Jonquieres

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EUROPE .... THE BASIC STATISTICS

	Population (m.)	Gross national product: Year	Total (bn.)	Per capita	Trade 1976*: Imports (bn.)	Exports (bn.)	Trade 1977*: Period	Imports (bn.)	Exports (bn.)	Trade with U.K. 1976†: Imports £m.	Exports £m.	Trade with U.K. 1977† to end-Sept.: Imports £m.	Exports £m.	Exchange rate (£1) November 29
U.K.	55.9	1976	£122	£2,182	£31.2	£25.8	Jan.-Aug.	£24.6	£21.6	—	—	—	—	—
France	52.9	1975	Frs.1,442	Frs.27,259	Frs.308	Frs.273	Jan.-June	Frs.178	Frs.161	1,710	2,091	1,561	1,980	Frs.8.81
West Germany	61.5	1976	DM1,125	DM18,293	DM222	DM257	Jan.-Sept.	DM174	DM200	1,834	2,757	1,833	2,621	DM4.02
Italy	56.2	1975	L111,809	L1.99m.	L36,310	L30,903	Jan.-June	L21,105	L18,537	898	1,106	730	1,138	L1,595
Netherlands	13.77	1976	Fls.237	Fls.17,211	Fls.107	Fls.106	Jan.-Sept.	Fls.83.5	Fls.79.2	1,500	2,428	1,664	1,876	Fls.4.36
Belgium and Luxembourg	9.9	1976	Frs.2,320	Frs.234,340	Frs.1,370	Frs.1,366	Jan.-June	Frs.745	Frs.690	1,401	1,300	1,339	1,240	Frs.63.52
Denmark	5.0	1976	Kr.231	Kr.46,200	Kr.75.0	Kr.55.0	Jan.-June	Kr.39.6	Kr.29.7	655	705	591	608	Kr.11.14
Ireland	3.2	1976	£4.5	£1,406	£3.33	£1.86	Jan.-June	£1.43	£1.12	1,247	1,008	1,106	924	£1
Turkey	40.2	1976	TL664	TL16,517	TL82.9	TL30.8	Jan.-June	TL45.7	TL12.9	211	60.4	179	41.9	TL33.55
Yugoslavia	21.56	1977‡	$35	$$1,623	YD124	YD88.8	Jan.-June	YD87.6	YD47.5	128	33.5	127	30.1	YD33.17
Greece	9.17	1978	Drs.831	Drs.90,620	Drs.222	Drs.93.8	Jan.-June	Drs.118	Drs.48.2	149	64.6	167	71.9	Drs.65.47
Spain	35.97	1976	Ptas.6,968	Ptas.193,720	Ptas.1,170	Ptas.583	Jan.-June	Ptas.637	Ptas.356	368	360	347	309	Ptas.149.8
Portugal	9.45	1974	Esc.342	Esc.36,190	Esc.128	Esc.54.7	Jan.-Aug.	Esc.117	Esc.40	223	199	234	174	Esc.73.67
Sweden	8.22	1976	Kr.286	Kr.34,793	Kr.84.0	Kr.80.2	Jan.-Sept.	Kr.67.6	Kr.60.7	1,046	1,188	909	984	Kr.8.72
Norway	4.03	1975	Kr.146	Kr.36,228	Kr.60.5	Kr.43.1	Jan.-June	Kr.33.6	Kr.22.1	474	623	595	672	Kr.9.71
Finland	4.73	1976	Fmks.110	Fmks.23,260	Fmks.28.6	Fmks.24.5	Jan.-Oct.	Fmks.24.8	Fmks.24.8	289	562	262	450	Fmks.7.54
Iceland	0.22	1976	Kr.258	Kr.1.17m.	Kr.55.7	Kr.74.5	Jan.-June	Kr.54.4	Kr.47.9	26.2	31.7	28.8	33.6	Kr.380
Austria	7.51	1976	Sch.729	Sch.97,071	Sch.206	Sch.152	Jan.-Sept.	Sch.170	Sch.119	212	232	189	196	Sch.28.75
Switzerland	6.35	1976	Frs.148	Frs.23,307	Frs.36.9	Frs.37.0	Jan.-Sept.	Frs.31.8	Frs.30.2	1,000	963	1,044	909	Frs.3.90

* Source: IMF Financial Statistics and National Statistics. † Source: Department of Trade. ‡ Estimate.

The rate of economic growth has slowed down throughout Europe since the spring, and prospects are only a little brighter for 1978 in spite of recent expansionary measures. Inflation is slowing down only slightly, and the current account position of some of the previously weak economies is improving.

The economy

THE LAST 12 months bave been a period of disappointed bopes for most of the economies of Europe—official projections of economic growth bave bad to be regularly revised downwards and the prospects for next year are generally agreed to be only a little brighter. The result has been a further rise in unemployment while major differences remain in rates of inflation and current account balances between the main countries.

A year ago, the rate of growth of output in Western Europe was expected to be between 3 and 4 per cent. this year, now it looks like being less than 2½ per cent. The slowdown bas been common to all the major economies: whereas Germany was still growing in the first few months of the year, the revival lost momentum in the spring, and industrial production fell in the second quarter. Gross Domestic Product is unlikely to have risen by mucb more than 3 per cent. in 1977, against the 5 per cent. growth commitment made at the Downing Street summit in May.

There is a similar story of sluggish output from the second quarter onwards in France, Italy, the U.K. and the smaller EEC countries. The slowdown has widely reflected in an involuntary increase in the level of physical stocks of goods, rising unemployment, and a faltering pick-up in industrial investment.

The causes can be traced to the weak character of the earlier recovery from the 1975 trough. The initial upturn was the result of stock adjustments, a catch-up in demand for consumer durables and tha declining impact of earlier Government expansionary measures. Meanwhile high rates of inflation in many countries and continuing current account difficulties ensured that stabilisation programmes bad a priority over expansion—notably in the U.K. and Italy—while a general lack of business confidence about the scope for a continuing rise in output limited the recovery in capital spending.

The response to the growing evidence during the summer of this slowdown was a re-affirmation by the stronger economies of their commitment to the growth targets and the introduction of a series of expansionary packages in, for example, France, Germany and the U.K. during the late summer and autumn. The cumulative impact of these measures to aid investment and employment is oot very great and will, at best, add only 1 per cent. or so to the rise in output expected next year in France of Germany.

Indeed the increasingly pessimistic mood bas undoubtedly been aggravated by the failure to achieve the growth targets set earlier in the year, notably at the Downing Street summit in early May. Even the EEC Commission's projection in July—when the West Germany slowdown was apparent—of a 3 per cent. growth in output in the nine Common Market countries looks like being missed.

Abandoned

This view was highlighted at the recent OECD meeting of senior officials in Paris, where earlier hopes about a growth rate of 5 per cent. for industrialised countries generally next year were abandoned, and there was at least a tacit recognition that unemployment would continue to rise.

At the meeting the OECD Secretariat and officials of certain countries pressed for further action from the surplus countries, notably Germany, Japan and Switzerland. But they in general reject this view: the Germans, for example, believe their growth rate will be around 4 per cent., rather than the 3 per cent. projected by OECD and do not intend to be forced in premature action to cut taxes.

The OECD view is that the stimulus should come from not only what are known as the locomotive economies, the main surplus countries, but also from middle-ranking countries.

Indeed, the improvement in the financial and external position of some of the previously weak economies in large current account deficit—notably the U.K., France and Italy—has allowed their Governments to introduce modest expansionary packages in recent months. This is one of the main reasons why overall growth rates in Western Europe are expected to be slightly higher next year.

Several forecasters expect a rise in total output of around 3½ per cent. next year, though this is unlikely to be nearly high enough to prevent a further increase in unemployment and OECD estimates point to a slowdown in the annual rate of growth to 2½ per cent. in the second balf of the year.

The main improvements are expected to be in the U.K. where the rate of economic growth, according to many forecasters, should increase to between 3 and 3½ per cent. compared witb ½ per cent. at best in 1977. Output is also projected to rise faster in France, Denmark and Norway though little change is forecast in Italy, and in many of the smaller developed countries in Western Europe.

A disappointing feature this year has been a continuing fairly rapid rate of increase in prices partly associated with the sharp rise in the price of many food items on world markets earlier in the year. The underlying rate of increase has fallen in recent months because of the decline in commodity prices generally. While the annual rate of inflation in the two major countries with the highest recent rates of increase, the U.K. and Italy, should slow down in the first half of next year, the level of price inflation in Europe is likely to remain high by historical standards.

One of the major developments within Western Europe in the last year has been the correction of some of the previous current account imbalances. Those economies which had been relatively slow to adjust to the impact of tha oil price rise of 1973-74, notably the U.K. and Italy and—to a slightly different extent—France, faced severe foreign exchange market pressures during 1976 and adopted major stabilisation programmes to reduce their deficits.

Both Italy and the U.K. arranged standby credits with the International Monetary Fund, and the result has been a sharp contraction in their current account deficits. The French deficit is likely to decline this year from $6.1bn. to around $3.4bn., while Italy is expected to swing from deficit of $2.8bn. into surplus. The U.K., helped by the build-up of North Sea oil production, is expected to turn a deficit of around $2.5bn. in 1978 into a surplus of around $750m. this year.

There are considerable differences of view among economists about how far this improvement will be continued next year in these countries. No one disputes that the U.K. surplus is likely to increases, and while some forecasters believe that Italy will only just remain in surplus, others are projecting a surplus of up to $1½bn. in 1978, according to OECD. There is also a wide range of projections of the French current account next year.

Stronger

The improvement in relative current account balances within the EEC has been matched by stronger exchange rates in the previously weak economies. Attention has turned more to the stronger currencies and the D-Mark, guilder and Swiss franc have all appreciated during the year. This has led to strains within the snake with two devaluations by the Scandinavian currencies and a withdrawal by Sweden from the common float in late August.

There are still major differences in relative economic and financial performances within the EEC and this has not provided a favourable background to Mr. Roy Jenkins' plan to revive proposals for a monetary union. He argued that a move to monetary union could help the EEC to overcome its continuing economic problems. Mr. Jenkins maintained that the jump to monetary union had to come before the harmonisation of the economic performances of member countries, rather than vice versa.

M. Ortoli, the Finance Commissioner, disagreed; his view is that however desirable monetary union might be as a long-term objective, it is neither politically nor economically possible now. So M. Ortoli proposed a gradualist approach with the establishment of a five-year plan with economic targets for each EEC country, closer co-ordination of currencies outside the snake, an increased EEC budget, greater tax harmonisation and free movement of capital, among other proposals. These ideas were given a lukewarm welcome at a recent Finance Ministers meeting with a cool reception from the Germans in particular, so any headway at to-day's summit is likely to be limited.

Peter Riddell
Economics Correspondent

West German Finance Minister Hans Apel: a cool reception to plans for greater economic integration in the EEC.

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There have been several serious disagreements between Europe and the U.S. during the first year of the Carter administration. But with most of the teething troubles now over, some improvements are expected during the next 12 months.

The U.S.

[T]HE CARTER administration [c]ame into office ten months ago [w]ith the very best of intentions [to] improve and upgrade rela[ti]ons with Europe. But as the [fi]rst year of Mr. Carter's presi[d]ency draws to a close the [e]vidence suggests that overall [r]elations with Europe are not [m]uch better than they were last [y]ear, although they do not seem [t]o be appreciably worse.

For much of this year the administration has been preoccupied with the Middle East and with Southern Africa, but as the year has worn on a series of issues which involve both the U.S. and Europe have come to the fore. Pre-eminent among them has been the somewhat uncertain state of the world economy for which, the Americans feel, the Germans should take some of the blame (though they have moderated their criticism considerably on this score).

Closely connected with the economy is the vexed question of world trade and the dangers of a renewed burst of uncontrollable protectionism. The problems of the world steel industry have captured most of the headlines, but in truth most sectors are involved in what promises to be among the most difficult problems for the U.S. and its European allies.

Friction

A third cause of friction has been the question of nuclear proliferation. The American insistence on no further sales of some kinds of nuclear generating equipment without adequate safeguards has not been well received in Europe. For their part American officials have not always adequately appreciated how much countries like France and West Germany are going to have to depend on nuclear power in the future.

Nor have they always understood that the continuing absence of a coherent and credible American energy policy causes intense concern in Europe, where much greater steps have been taken to conserve energy than have so far been even contemplated in the U.S.

As the lines between economic issues and political ones has continued to become steadily less distinct, it has obviously been the economic "end" of all these problems that has attracted the most attention. Politically it has been, on balance, an encouraging year for the administration.

Since well before his victory a year ago, Mr. Carter has taken a relaxed view about Euro-Communism, refusing to characterise it as the kind of Continent-wide menace perceived by his predecessor, who is still sounding alarms about it. The Administration has been well pleased by the split in the French Left, and Mr. Carter seems almost certain to visit France early in the New Year in order to give further support to the d'Estaing Government.

Italy gives much more cause for concern, but here the Administration has been measured in its comments. It has, however, been no coincidence that a steady stream of officials—from Mr. Andrew Young, the U.S. Ambassador to the United Nations, to Mr. Joseph Califano, the Secretary of Health, Education and Welfare—have been visiting Rome. Their visits are a direct consequence of a decision by the President to give whatever moral support he can to the Andreotti Government.

The situation in both Spain and Portugal has also pleased the Administration, even if it is worried about the economic situation in both nations, particularly Portugal. Both countries are taken as a good example of the fact that "Centreist" tendencies are still in the ascendant.

Relations with Germany have been somewhat clouded by the economic issues referred to above. They began badly partly because Herr Helmut Schmidt had made little secret of his hope that President Ford would be re-elected and partly because the Carter emissaries who visited Bonn in the first days of the administration took a rather Olympian view of what the Germans ought to be doing to reflate their economy.

Conceded

Since then officials have not changed their view that the Germans did not do enough in the first half of the year and indeed that they may still not be doing enough. But it is conceded that the Carter administration has not been as expert as it thought it was at charting the behaviour of the American economy and that the initial approach was rather ham-handed.

There remains a certain coolness between Herr Schmidt and Mr. Carter. This is partly because they have not hit it off personally as well as, say, Mr. Carter and Mr. James Callaghan the British Prime Minister. But it is also because new issues seem to arise constantly, adding to the underlying friction. The latest of these is the strategic arms negotiations, where the Germans are concerned that the U.S. could be considering "freezing" Europe out in order to get an agreement.

It would be wrong to make too much of this. West Germany remains highly regarded in Washington, the links are close and the U.S. is well aware that Germany remains the most powerful nation in Europe. Yet it is a little unusual that, for all this, relations are not really warm, and it may take another few months before they are. Certainly President Carter's discreet but important intervention in the Schleyer affair augurs well for the future.

Somewhat to the surprise of those who covered Mr. Carter last year, the President has reserved the warmest place, as it were, for Britain. Relations between the U.S. and Britain are as close as they have been for many years. This is partly because the co-operation over Southern Africa has spawned collaboration in other fields, and partly because of the traditional historical and cultural ties. It also owes something to the warm relationship between Mr. Callaghan and Mr. Carter.

Beyond that the Americans have been well pleased with the improvement in the British economy, even though they fear that it may serve only to mask for a while the fact that nothing much has changed beneath the surface. It is fully recognised that the Government's achievement in holding some kind of line on wages in the past two years has not been easy, even if there is concern that it may be in danger of losing some control now.

Relations with the smaller nations remain good, and Mr. Carter has been at some pains to emphasise that he does not see Europe as a monolithic bloc. This was one reason why the Americans so favoured an EEC representation during part of the London economic summit, and the Administration has made no secret of its support for the Community.

The relationship with the Community, indeed, brings the economic issues back to the centre of the stage. For the negotiations about trade and steel and a host of other issues have been as much with the EEC as with individual governments. This is a trend that must continue and the U.S. is also taking increasing interest in the attitude of the Community to more political issues like the Middle East.

When Mr. Roy Jenkins, the President of the Commission, was here earlier this year, Mr. Carter showed particular interest in the plans to expand the Community, proposals which in general the administration warmly supports. This support stems in part from a feeling that membership of the Community will be a further guarantee that countries like Greece and Spain will not drift to either of the political extremes. But it is also a reflection of the traditional American view that a united Europe makes sound sense.

The President has promised to increase the commitment of men and material to NATO and it is being suggested that next year's U.S. defence budget will contain sharply higher appropriations for NATO. But opinion in Congress continues to reflect the American view that the members of NATO "should pay a greater share of their own defence costs," and it can be expected that the appropriations for NATO will come under close scrutiny in the months ahead.

At the same time there has been some suspicion in Europe that the new strategic arms treaty now being negotiated between the U.S. and the Soviet Union may leave Europe out of account and do too little to protect Europe against a new generation of Soviet weapons. Once again it has been the Germans who have been quickest to draw attention to this danger and their warnings have not gone unnoticed in Washington. The latest indications are that the administration will reserve the right to pass on most of its cruise missile technology, for instance, and the Europeans have been fully briefed on the progress of the talks.

On balance, then, 1977 has seen most of the strains apparent between the U.S. and Europe that are always apparent. This year they may have been marginally exacerbated by the fact that Europe has had to get used to a new administration which has been feeling its way for much of the time and still has much to learn, as its officials readily admit.

It is also true, and this augurs well for next year, that the Carter administration has made several concessions to European views. The policy on nuclear proliferation has been softened, the emphasis on human rights has been subtly altered, pressure for selective reflation has given way to a more reasoned understanding of the complexity of the world economic situation.

American officials therefore tend to believe that next year could see a marked improvement in relations between Europe and the U.S., particularly if some agreement can be reached on the vexed question of steel imports, as seems likely. The Administration is unlikely to follow the example of Dr. Henry Kissinger and declare another Year of Europe, but there is no doubt that relations remain central to American foreign policy and the pluses still far outweigh the minuses.

David Bell
Washington Correspondent


In a huddle about NATO: Secretary-General Dr. Joseph Luns with President Carter at the NATO meeting in London in May.

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Although European monetary union is still a long way off, some progress has been made towards harmonisation of banking and insurance regulations—the two major areas of financial activity—with the strong backing of the U.K.

Banking and insurance

THE DIFFICULTIES in making real progress towards European monetary union have again been underlined recently following the efforts made by Mr. Roy Jenkins this year to revive the old plans. These have received no more than a lukewarm reception from finance ministers, and look likely to fall down for the familiar reasons of the absence of real economic co-ordination and of political will. For the banking community, particularly in the City of London, the prospect of closer integration has been a major attraction of EEC membership.

Generally speaking, the banking business is already fully international, and in London especially the banks have enjoyed a wide freedom to develop their activities in the offshore Eurocurrency markets. The immediate impact of joining the Community was therefore expected to be modest. But in the longer term it was hoped that as progress was made towards monetary and economic union it would be possible to develop increasingly close relationships among banks in the various member countries.

This was one of the motives behind the formation of the so-called European banking clubs, such as European Banks International Company, Associated Banks of Europe, the Inter-Alpha Group and Europartners. These provide a system for detailed co-operation among the member banks in different countries. And in the case of EBIC and Europartners, at least, there was a clear understanding that in time they should move towards a closer integration of their activities, perhaps eventually leading to cross-frontier mergers to establish a genuinely European bank.

These ideas have suffered a setback as a result of the lack of progress in this area, and while the banking clubs continue to provide their members with a useful form of co-operation, they are recognising that more ambitious plans will have to wait. Meanwhile, however, real developments have been taking place in the moves towards bringing the legislation covering the supervision of banking activities into line between the member countries, in a form which the banks feel is likely to maintain as far as possible the freedom of operation which they have enjoyed in London.

The philosophy which has made this possible has recently been explained by Mr. Robin Hutton, director of banking, insurance and financial institutions in the EEC Commission. The policy of the Commission had changed, he said. "In place of long and detailed directives about freedom of establishment, or the right to offer services across frontiers, the draft directives proposed by the Commission now take a more pragmatic approach, concentrating on basic principles rather than details, and aiming to secure acceptance of the equivalence of national legislations rather than their replacement by European law."

A second feature of the directives being put forward by the Commission, he added, was that "they aim to affect only those aspects of national legislation which act as some kind of obstacle to free movement and free competition. All those items of national law or regulations which have a local usefulness are left untouched so long as everybody, of whatever European nationality or origin, is treated equally."

The end result should be that a structure of financial regulation will be established throughout the Community in which national identities and characteristics are maintained but nationality ceases to have any bearing on competition. The principles involved are clearly reflected in the banking directive recently adopted. Before the U.K. joined the Community, a directive had been planned which followed a highly dirigiste format, laying down specific and very complicated ratios to govern the supervision of banks and financial institutions, which proved extremely unpalatable to the British and many foreign banks operating in London.

The new directive is of a different kind, described by Mr. Hutton as "a remarkably modest measure." It is aimed to co-ordinate the systems of bank supervision to the minimum degree necessary to permit free competition throughout the EEC. It also provides for something which bankers regard as a major break-through, by establishing machinery in the form of a contact committee for continuing co-operation among national control authorities and with the European Commission itself.

The most significant aspect of the directive from the point of view of the U.K. is certainly the requirement for all member countries to institute a system of licensing for banks. Britain has so far been an exception in the Community in having no licensing provisions. Proposals for introducing a licensing system have already been set out in the White Paper published last year, along with other measures, including proposals for a deposit protection fund. A move to tighten up bank supervision in the U.K. further would almost certainly have been made in any case in the wake of the fringe bank crisis; but the new measures, which could pass into law during the current Parliamentary session, will also have the effect of bringing the country into line with the EEC requirements.

Now that the banking directive has been adopted, the way is clear for further measures in the EEC. The basic directive outlines certain principles, such as licensing requirements, liquidity and solvency control, the provision of information and the treatment of banks from outside the EEC. But it gives very little detail. Work will now be going ahead towards the co-ordination of the various national conditions for granting a licence, for example, and standardising the national liquidity control mechanisms so as to prevent distortions of competition between banks of different nationalities. It will also be necessary to standardise the treatment given to third-country banks—those from outside the Community—for otherwise the important U.S. and Japanese banks and others will all try to establish their base in the country where the rules are the least onerous.

Similar

A similar approach has been adopted in the field of insurance regulation, where the differing philosophies of the member countries of the EEC have presented even greater obstacles to progress and where the harmonisation of the rules is of substantial importance for the creation of freedom of competition within a European insurance market. The Commission has put forward minimum legislation, sufficient to let the business flow without weakening the national protection offered to investors.

Pending the detailed co-ordination of all nine sets of insurance legislation, the Commission has tried to set up a unified system of financial rules about reserves and solvency and then to get each country to accept each other's supervisory system as equivalent to its own, even if they differ in detail and methods. Control is left with the authorities in the home country of the insurer but it is hoped the system will bring a high degree of collaboration between the national authorities.

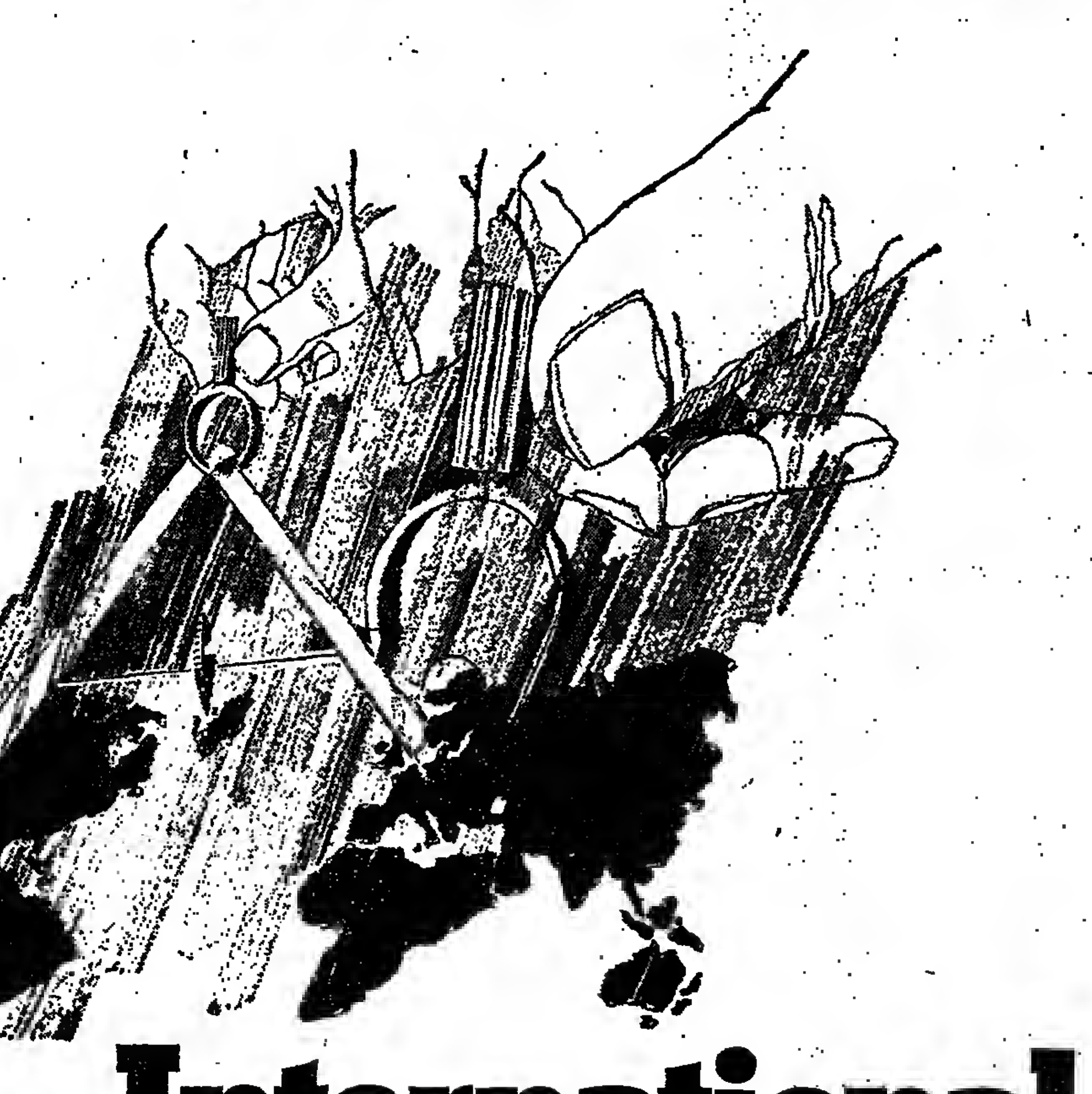
A directive on freedom of establishment for non-life insurance business—enabling insurers to open new businesses throughout the Community merely by producing their certificate from their home authority—is well on the way to becoming effective. This, though, will in effect merely regularise the existing situation, in which most leading insurance companies in the U.K. already operate internationally.

The major step will be taken when at last freedom of services becomes effective. A directive on this subject is before the Council, and when it becomes possible to put this into effect at least the larger commercial insurances will be able to be written anywhere in the nine countries to cover risks anywhere, without the company having to be established in the country concerned, and all under a system of home-country control.

In other areas progress has been even slower; the directive on freedom of establishment for life business, for example, has become completely bogged down. This has raised several fundamental issues which appear no nearer to being settled; the question of specialisation and the position of the composite insurance companies; recognition of the U.K. type of solvency margin; and the issue of whether solvency margins should be set net or gross of reassurance.

The developments so far since the U.K. joined the Community may appear to be small return for the effort and activity which have gone into producing the official directives. Nevertheless at least an important psychological point has been reached in the progress towards harmonisation in banking legislation and in insurance regulation, and in its patient way the Commission may in the end achieve more towards creating a real financial Community than more spectacular attempts to hurry into closer integration.

Michael Blanden



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The European Free Trade Association continues to thrive despite the defection of some members to the European Economic Community. The ending of tariff barriers between EFTA and EEC agreed last July was a major goal achieved.

EFTA

THE FIRST of July this year was a red letter day for the European Free Trade Association (EFTA). The removal of the remaining duties on most industrial products tradad between the 16 West European countries in EFTA and tha European Community meant that the most important objective of tha Association, set in the late 1950s, had been achieved: there was no more tariff discrimination against EFTA in its trade with the Common Market.

Mr. Roy Jenkins, President of the Commission of the European Communities called it: "a significant date for free trade in Europe," while Austria's Federal Chancellor, Mr. Bruno Kreisky, remarked: "the objective to which the best minds of our continent have devoted so much efforts in the decades since the second world war has at last been attained."

The achievement, in practical terms, is of greater significance to the small EFTA countries than it is to the Eurppean Community members. The seven remaining EFTA conntries account for less than 20 per cent. in population terms of the unified market of nearly 300m. people.

As for trade, the Community is far more important both as a market and a supplier to EFTA, than EFTA is to the Community. The nine EEC countries take in 46.6 per cent. of EFTA's total exports and last year accounted for 52.9 per cent. of EFTA's imports. Looked at from the Community point of view, EFTA took in 11.5 per cent. of the EEC'a total exports and supplied only 8.3 per cent. of imports.

The zero-tariff situation is thus particularly reassuring for the EFTA countries whose dependence on the Commuulty is far greater.

But the contention that the bridge-building exercise has been beneficial for both camps is hard to demonstrate in terms of actual trade. Contrary to what one might expect tha growth in value tarms of trade between the two West European groupings has been slower on average than either side's trade with the rest of the world both in the 1959-72 period hefore the free trade agreements and in the 1972-75 period when duties were being scaled down.

The average annual increase in EFTA's exports to the Community in the first period was 8.8 per cent., compared to 10.5 per cent. for its exports to the world at large. In the 1972-75 period, the respective figures were 23 and 25.7 per cent. with regard to exports to the original six Community members.

Response

EFTA was created as a response to the European Community. It was never conceived of as anything more than a free trade association and was structured as flexibly as possible to get around the varied political difficulties that any other form of integration would entail for its members.

Free trade between the member countries was established in 1967. This resulted in an accelaration of trade between the members hut not to sucb a marked extent as that experienced within the Community. This was particularly true after Britain left EFTA at the beginning of 1973 to join the Community.

The rather modest EFTA Secretariat, housed in Genava, bas developed and tested out a system of rules of origin which have worked very well. It has administered the Stockholm Convention, co-ordinated the positions of member countries in their individual trade negotiations with the Community and become involved in a host of other non-tariff areas. In the process there has developed what the Scandinavlans fondly refer to as "the EFTA way of doing things," meaning an essentially pragmatic, low-key form of co-operation by consensus.

The logical question is, nevertheless, whether anyone needs EFTA any more. The firm answer, at least for the foreseeable future, is: Yes.

EFTA will continne to serve as an instrument for European co-operation, to some extent as a pressure group in the wider context of international trade. It will have to ensure that the trade interests of its members are not prejudiced as the three remaining Wast European countries still not integrated into the free trade system move to join, and as the Community expands its free trada arrangements with countries around the Mediterranean.

It will also, doubtless, be more active in the field of technical barriers to trade, with efforts to harmonise such things as rules on food packaging, technical standards, regulations to protect the environment, trade marks, and reciprocal recognition of tests and inspections.

It does not provide a counterweight to the Community, but is still a useful tool and a handy place to swap ideas on economic policies. The promotion of productivity, full employment, the rational use of resources and improvements to living standards are, besides free trade, also within tha objectives of tha Association.

David Egli

Geneva Correspondent

Western Europe has spent 1977 acclimatising itself to President Carter's fresh approach to U.S. defence policy. The NATO Summit in the summer clarified certain problems and set up a study of changing defence needs.

Defence

THIS HAS been an eventful, if at the same time indecisive, year for Western defence. It has been dominated by President Carter, as perhaps this subject always is whenever there is a new American presidency. A year or so ago Europe had grown used to Henry Kissinger. It would probably have preferred the Ford administration to have been confirmed in office—Chancellor Schmidt of West Germany was unwise enough to say so. And certainly, by the end of the Kissinger period, political consultations within the Atlantic Alliance were working with unusual smoothness.

The election of Mr. Carter was seen in Europe as a venture into the unknown. He began with a flourish. Vice-President Mondale was sent to the European capitals to say that the U.S. would match any increase in defence spending by the Europeans themselves, but also to Japan to confirm that the U.S. would be cutting its troop levels in South Korea. To some Europeans, and even more to the Japanese, this readiness to cut forces at all seemed to carry the risk of upsetting what had developed over the years into a fairly stable situation.

Proposals

There was much greater concern in Europe when Mr. Cyrus Vance, the Secretary of State, was despatched to Moscow not to tie up the details of the second strategic arms limitation agreement (SALT 2), which had been under discussion for several years, but instead to make sweeping new proposals that would actually have involved substantial cuts in existing nuclear arsenals. Mr. Vance was rebuffed.

Coupled with the strains already being imposed by President Carter's statements on human rights, it seemed for a time that U.S.-Soviet relations were entering a stormy period. There were also some strains among the Western allies themselves, accentuated by the new administration's insistence on a non-proliferation policy which, if implemented, would have held back the civil nuclear programmes of its allies. Relations between Washington and Bonn, in particular, became tense, and a common view in Europe early last spring was that President Carter was simply naive.

Western fences were mended at the Economic Summit meeting in London in May and at the NATO Summit which followed. At the latter Mr. Carter left no doubt of his commitment to the Alliance, and indeed launched a number of new initiatives. The meeting as a whole agreed to ask the NATO Permanent Council to undertake a new study of long-term trends in East-West relations and their implications for NATO, and to report to the next summit in Washington next spring. It also requested defence ministers to develop a long-term programme to enable NATO defence forces to meet the changing defence needs of the 1980s, and again to report to the Washington meeting in 12 months' time. The Defence Ministers, meeting a few days later, not only accepted the task, but further agreed to set up a programme of short-term measures to improve defences in such areas as anti-armour, readiness and reinforcement. Their meeting ended with a pledge by member countries to raise defence expenditure by around 3 per cent. a year in real terms from 1979.

The clear implication at the time was that President Carter and the Alliance were giving the Soviet Union a year of grace in which to show whether or not it was serious about detente and arms control. The opportunity would come through the SALT negotiations, through the negotiations in Vienna on mutual and balanced force reductions (MBFR) in Central Europe, and perhaps through a series of bilateral commissions proposed to the Russians by President Carter on such subjects as control of arms transfers to third countries. Equally, the atmosphere would be affected by the progress—or lack of it—at the review meeting in Belgrade on the implementation of the Helsinki Agreement on Security and Co-operation in Europe. If, within the period of grace, the Soviet Union did not prove forthcoming, NATO would draw the appropriate conclusions and further strengthen its defences.

The timing, however, has not worked quite so smoothly. SALT 1 duly expired on October 3, but with both the U.S. and the Soviet Union expressing confidence that a successor agreement will be reached in due course—probably early next year. If it comes, it will not be the radical agreement originally sought by President Carter, but it will be accompanied by a commitment to go on talking, and perhaps SALT 3, sometime in the early 1980s, will actually get down to arms reductions.

At the same time, there has been no progress in MBFR, but the conventional wisdom there has always been that the negotiations are condemned to stalemate until SALT 2 is out of the way, and there is no reason to dissent from that view. The Belgrade meeting meanwhile is dragging on longer and more inconclusively than many people last May would have cared to predict. The one plus point is that Britain, the U.S. and the Soviet Union are actively negotiating a comprehensive test ban treaty, though its actual, rather than symbolic, contribution to arms control will probably be limited.

It seems unlikely, therefore, that when the NATO heads of Government meet in Washington next May, the state of East-West relations will seem much clearer than it did 12 months before. Barring the unforeseeable, there will have been sufficient movement to justify the further pursuit of detente, but not nearly enough for NATO to risk in any way lowering its guard. It is probable indeed that NATO will have to fall back on an assessment of the long-term trend, and here the outlook is less than encouraging.

The 1977-78 edition of The Military Balance, published by the International Institute for Strategic Studies, notes that the numerical pattern of military forces over the years has been "a gradual shift in favour of the East, with NATO relying on offsetting this by a qualitative superiority in its weapons that is now being eroded as new Soviet equipment is introduced. While NATO has been modernising its forces, the Warsaw Pact has been modernising faster and expanding as well." It adds: "In some areas (for example, surface-to-air missiles, certain armoured vehicles and artillery) Soviet weapons are now superior, while in other fields (such as tactical aircraft) the gap in quality is being closed . . . in general the pattern is one of a military balance moving steadily against the West."

That last sentence could almost be the text for the regular NATO Ministerial meetings in Brussels this week, and again for the summit in May. It suggests that the Alliance will have to go on improving its defences almost whatever comes out of SALT, MBFR or Belgrade. *In particular, it will have* to look closely at what use it can make of new weapons technologies such as precision-guided munitions and new anti-tank and air defence missiles to see if it can once again offset the quantitative advantages of the Warsaw Pact.

There is one other subject which in future seems likely to receive closer attention, and that is allied responses to contingencies outside the North Atlantic Treaty area. Article 6 of the Treaty tends to restrict NATO action to north of the Tropic of Cancer. Yet events could occur in (say) Africa or the Gulf to which some members of the Alliance might wish to respond. There is at present no adequate NATO machinery for consultations on such questions. One would not be surprised to find a growing concern at this gap, even if some of the smaller members wish to confine NATO to its original geographical limits.

Malcolm Rutherford

East-West

Although Moscow's disapproval of U.S. attitudes on human rights and arms limitation have left their mark on East-West European relations, progress has also been made.

AT FIRST glance, the last 12 months would seem to have brought little in the way of improvements in East-West European relations, given that they depended to a large extent on how the Russians and the Americans were getting on—which was not always well.

President Carter's outspoken remarks about human rights in East Europe did not go down well in Moscow, nor did his far-reaching proposals to end the SALT deadlock. In fact, both his opening gambits with the Soviet Union were, by general consent, misjudged, and this cast a shadow over the whole of East-West relations.

Then came the Belgrade conference to review progress since the signing of the Helsinki Final Act in 1975 where western persistence about human rights has been so strong that the Russian delegate at one stage threatened to walk out.

There was even trouble on the economic front. Comecon's growing hard currency debts became a major issue. And the air echoed to East European accusations of western trade discrimination and with western charges of East European dumping.

But this is only to single out the year's more colourful events. It could well turn out that a number of much less sensational developments have laid the basis for an improvement in the atmosphere in the long run. Leaving aside the question of human rights—which is exceptional because it is the only major problems where the Soviet Union is not seeking agreement with the West—there does appear to have been progress on almost all fronts.

On the most vital question of all, strategic arms limitation, all the indications are that, despite the new U.S. Administration's counter-productive opening move, a new arms agreement is in sight. There are no details yet, but the U.S. side has displayed more optimism recently. And if President Brezhnev is to visit Washington next year, the centrepiece of the occasion *would almost certainly have to* be the signing of a new SALT agreement.

For their part, the Russians recently made an important concession by offering to halt nuclear explosions for peaceful purposes, albeit for a limited period. This has been a big stumbling block. The West argues that there can be no such thing as nuclear testing for peaceful purposes only. The Russians say they want nuclear explosions to gouge canals and dams in Siberia.

Although the SALT talks do not involve the Europeans, talks on a comprehensive nuclear test ban do. Any breakthrough in either of these negotiations would be expected to help other military talks in which Europe is closely involved, such as the troop reduction talks in Vienna, which have so far got nowhere.

There is, of course, a military element to the Belgrade conference where the West is trying to beef up confidence building measures agreed at Helsinki, like advance notification of troop movements and invitations to manoeuvres. The West want the notification requirement extended below the present threshold of 25,000 men.

Although the Warsaw Pact has reacted coolly, the Belgrade talks have already shown the East Europeans to be in a minority on this issue. The neutral and non-aligned countries support the Western proposal; so does Romania, a member of the Pact. It will be difficult for the Russians to come up with a plausible reason for rejecting it.

There has also been progress on the economic front, both in the West's attitude towards Comecon's trade problems, and in Comecon's willingness to come to terms with the EEC.

The laboriously slow evolution of Comecon-EEC relations finally reached the political level this autumn when a Comecon delegation led by the Romanian vice-premier Mr. Marinescu came for talks in Brussels. Little resulted in the way of concrete progress, except an agreement to examine topics for further discussions next year.

But it would be wrong to underestimate what a visit of this kind means for the Russians, who have found it extremely hard to accept the existence of the EEC, let alone talk to it.

What this year has shown, though, is that the EEC and Comecon countries are perfectly able and willing to conduct hard negotiations when it *comes to issues that really con*cern them. Fish is a good example. Once the EEC established a 200-mile zone from January this year, it did not take long for the East Europeans, headed by the Russians, to come and talk about fishing quotas. Although the talks were presented as bilateral ones under the guise of certain procedural formalities, it was quite clear that the major economic groupings of East and West were negotiating face to face.

In another small but significant development, Romania signed an agreement with the EEC on trade in textile goods, and several other countries such as Poland and Hungary have indicated an interest in something similar. Admittedly, hard trade interests are at stake, but maybe nothing would ever happen if they were not.

In the West, there are also signs of a more understanding attitude towards Comecon's problems. Despite the outcry about the Communist debt, the real issue is not whether Comecon is capable of managing its financial affairs — which broadly *speaking it is. There is* the more serious problem of the structural imbalance in East-West trade which must be corrected if a lasting trade relationship is to develop.

As Mr. Edward Gierek, party leader of Poland, a country whose debts are perhaps the heaviest in Comecon, told Mr. Helmut Schmidt, the German Chancellor, during his recent visit to Warsaw, he is not interested in more credits, he wants more exports.

The EEC has gone some way to recognising this problem with Yugoslavia, which has been clamouring for a more balanced trade relationship with the EEC for several years. It is true that Brussels' willingness to listen to Belgrade's case has yet to improve the trade flow. But at least it is no longer turning a deaf ear to the problem.

As it is, East-West trade is already losing the momentum that carried it forward by leaps and bounds between 1972 and 1976, and the future rate of growth will depend largely on what success Comecon has with its exports to the capitalist world.

It is against this background that the East European countries have been emphasising Basket Two of the Helsinki Final Act, which deals with economic co-operation. Their insistence on discussing these problems is not simply a tactic to deflect interest from Basket Three and human rights. They need to trade with the West but they believe that their own weaknesses, like poor marketing and inadequate quality of production, are only partly to blame.

The problem of human rights, though, remains. Any time now the Soviet authorities are due to open legal proceedings against dissidents who were arrested for monitoring Soviet implementation of the Final Act. If it happens before the end of the Belgrade meeting, the effects would be extremely serious. If it happens afterwards, it would make a mockery of whatever good resolutions the talks end up with.

David Lascelles
East Europe Correspondent

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Britain is not alone in its campaign for changes to the Common Agricultural Policy. The entry of Greece, Portugal and Spain into the Community would also change the nature of the problem by adding almost 60 per cent. to the number of farmers.

Agriculture

THE CONVENTIONAL industrial producer looks forward with some relish to the enlargement of the European Community. When Greece, Portugal and Spain are in the club there will be at least 20 per cent. more "captive" consumers in the market place.

Farmers are more circumspect, obsessed—particularly in the EEC's Mediterranean fringes—with the knowledge that the Community's population of farmers will at the same time increase by almost 60 per cent. to around 14m.

Spain alone is already producing the equivalent of almost 25 per cent. of the existing Nine's vegetable crop. The Community, or rather the Common Agricultural Policy, is threatened by floods of lettuces, tomatoes, early potatoes, cauliflowers and all manner of fresh produce. And all far cheaper than the goods grown in any of the existing Common Market countries.

Greek tomato canners and tomato paste manufacturers, for example, last year paid 20 French centimes a kilo for their raw materials. French processors paid 35 centimes and this year were pressed by the growers for increases ranging up to 120 per cent. Salaries and welfare charges are also markedly lower outside the EEC.

The French have been particularly active over the past few years, monitoring import prices of everything from Spanish peaches to Greek tomato concentrate. Through either official or vigilante manoeuvres, they have of late been highly successful in their campaigns against what they consider to be "dumping" inside the EEC. Britain's relations with Spain, but most of all the Spanish penetration of the German winter market for fruit and vegetables, are particularly sore points.

Even though they do not admit to it publicly, the French and Italians know there is no chance of the market support systems operating for products like beef, cereals and milk being extended to the full range of Mediterranean produce.

To some extent, it might be argued, the farming industry has only itself to blame, although the national administrations' eccentricities also have to carry a share of the burden.

While the Irish may be notorious for running pigs back and forth across the Ulster border solely for the purpose of collecting subsidies from the EEC Exchequer, there are far greater mysteries in the wild and woolly outbacks of France and Italy.

The Commission, for example, has been investigating the circumstances which have led Italy into building up a stockpile of beef to intervention. Nothing odd about that for an EEC country, except that Italy has a huge annual beef deficit, as well as the highest retail prices.

For years Brussels has been trying to obtain an accurate count of the olive trees in the peninsula for which it forks out annual subsidies. And which country, according to Commissioner Finn Gundelach, is blocking his probe into the rum dealings which led to the re-importation into Europe—levy-free—of butter sold at knock-down prices to East Europe?

We live in a Community of farm fiddlers, and it is perhaps unfair to single out one particular section. But it is certainly fair to comment that had the Italians and French shown themselves better able to control their "marketing" there might have been some chance that B[illegible] and the other EEC capitals would show greater sympathy towards the current appeals from Paris and Rome, for protection against dilution of their markets by Greek, Spanish and Portuguese imports.

It is instructive to note that no one has yet heard a peep from the Dutch, who, it might be argued, have far more to lose than either the French or Italians. Their high-cost production methods for tomatoes, saladstuffs and other vegetables, and their capital-intensive farms are considered well able to withstand any pressure from the more primitive producers of Southern Europe.

There is also a school of thought arguing that France and Italy have had time enough to organise their southern farmers into more effective industrial force. It has been plain for the past ten years that eventually the three new applicants—and even Turkey—would join the EEC.

Guarantees

But beyond and above all this lies the great truth at last dawning in Brussels that open-ended guarantees for farmers are the ultimate in feather-bedding. Unlimited institutional buying of gluts, surpluses, lakes and mountains adds up to a sinecure—not strategic security. There will be no more old-style support regimes established in the foreseeable future. And those already existing face radical, if gradual reform.

The West Germans, who have felt the CAP's impact in monstrously inflated food prices, and who have yet to harvest the benefits in the form of a dynamic, modernised farming industry, will help see to that.

Mr. John Silkin, Britain's Minister of Agriculture, is also crusading for change—or at least doing his utmost to ensure that the U.K. takes as long as possible to attain the giddy heights of full Community food prices. Although it might be stretching a point to suggest that the wind of change is blowing through European agriculture, there are many around who will admit to feeling the draught coming from Brussels.

Last spring the increase in the basic farm prices was limited to only 3.5 per cent. And now we hear that in the New Year Commissioner Gundelach aims to peg the rise to around 2 per cent. There will, of course, be room to stretch the price changes through adjustments of the green currencies used in EEC agriculture, but severe strictures on the underlying prices trend is inevitable.

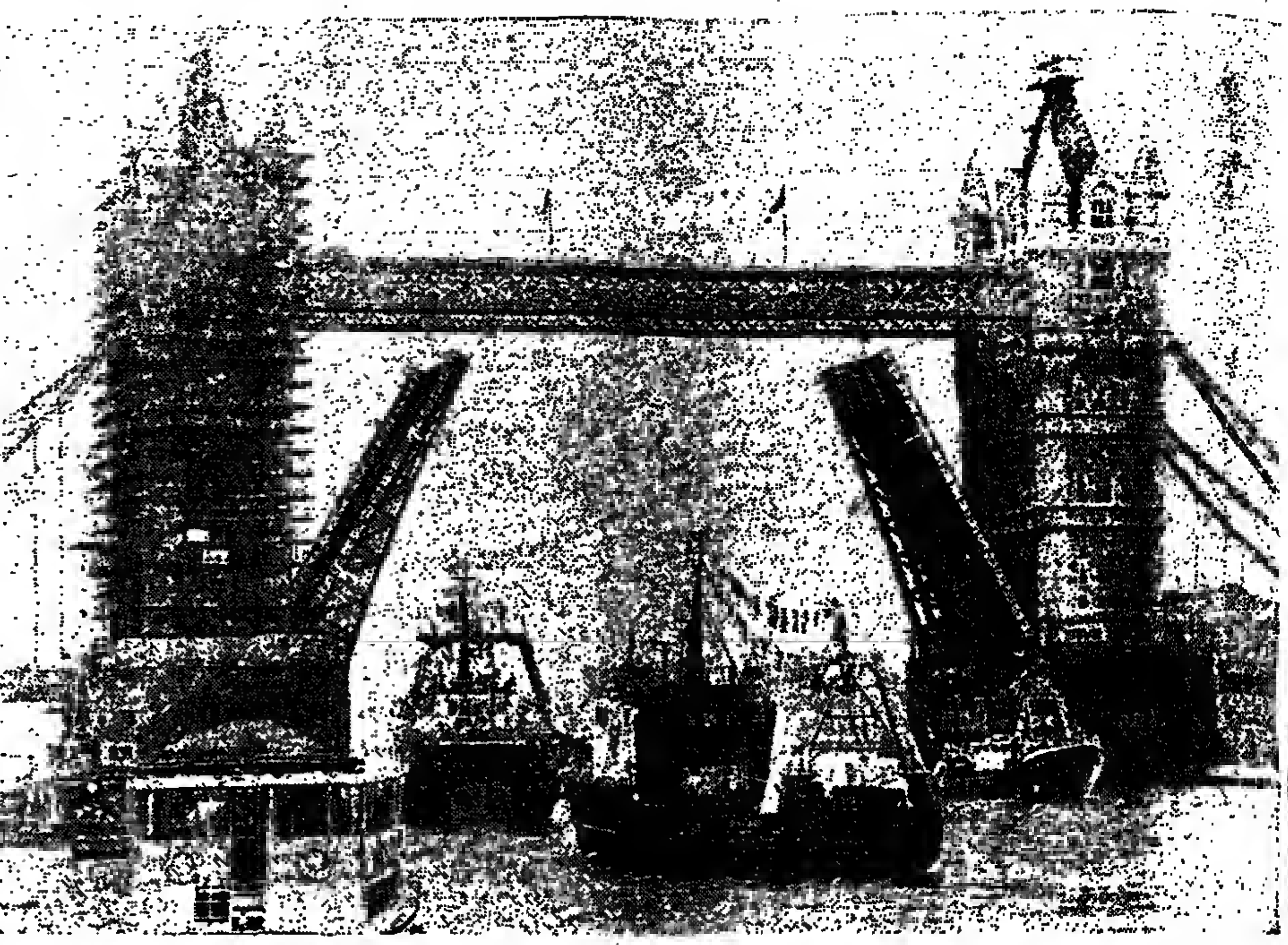
Even though the odd minister is bound to squeal under the clamp-down, even the most intractable among them will find it hard to deny that drought or no drought, economic crisis and all, Community farming as a whole has come through the past few years in extraordinarily fine fettle.

Production of all major temperate commodities has increased and the structural and economic base of the industry has been reinforced. There are weak spots. But they are local and temporary and nowhere do they threaten the overall structure either nationally or in a European context. Indeed, the main threat comes now from the growing surpluses of dairy produce, cereals and meat—malignant growths now crushing the Common Agricultural Policy.

There is a feeling abroad that perhaps, if food prices can be held steady for a spell, European consumers might revert to their old eating habits, spending once again as they used to on beef, fruit and vegetables and other items of what used to be regarded as "staple" diet.

Plainly this is no time to start establishing more market regimes fated to lead on again to more institutionalised "mountains"—only this time an Alpine range of unwanted fruit and vegetables.

Christopher Parkes



An angry Armada of fishing vessels passing under Tower Bridge in June this year on their way to protest about EEC fisheries policy at Westminster.

Declining stocks have forced the fishing industry throughout Europe to look again at present policies and Britain is arguing that the EEC has yet to find the answer. Any agreement will probably involve a complicated compromise.

Fishing

THE BASIC problems of European fishing are the same as those for the rest of the world. Declining stocks and excessively large fleets have forced all fishing nations into a choice between risking the commercial extinction of their stocks and cutting their fishing industries back savagely.

Until fairly recently, however, such a choice was not possible. National limits generally extended only three miles, and most of the world's fish were caught on the high seas. Under this system lip-service was paid to the demands of conservation through international bodies which negotiated quotas for their members. In Europe's case the body was the North-East Atlantic Fisheries Commission (NEAFC).

But the system never worked adequately. Scientists made recommendations for maximum catch levels, but the political and commercial pressures on the negotiators meant that these were almost always exceeded when they came to share out national quotas. And the story did not stop there. NEAFC and its counterparts around the world were legally toothless, and many signatories to fishing agreements felt they could exceed their quotas with impunity. Catch levels in many areas sank lower and lower (not because of fishing limitation hut hecause of declining stocks) and scientific catch recommendations diminished at an even faster pace — not that much notice was ever taken of them.

Competitive

Obviously this situation could not he allowed to continue. By geoeral coosensus the cause of the prohlem was identified as the internationally competitive nature of the industry. In the absence of any property rights over fish resources, there was little incentive for good husbandry — restraint hy one nation fishing a particular ground would only have led to increased catches by less responsible countries.

There was an equal degree of agreement about the appropriate remedy for the complaint too—200 mile limits. Wideoing of national limits to 200-miles would make all the world's major fishing grounds the effective property of one country or another. And this would encourage the adoptioo of effective conservstion regimes. Swap arrangements could be made so that national fleets could continue to fish waters outside their own limits, but only within the approval of—and within the constraints imposed by—the nation owning the fishing rights.

The switch to 200-mile limits has taken place over the last few years and is now virtually complete. Much negotiation continues on swap arrangements, traditional fishing rights and so on, but basically the move appears to have been fairly successful.

In Europe, however, the picture has not been so simple. Although the EEC has joined in the general switch to 200-mile limits and has imposed such limits around its borders against third countries, its internal policy has moved in a diametrically opposite direction. Instead of allowing maximum national limits for its members—obviously for the most part these would have been well short of 200 miles—it has adopted a watered down "fish to the beaches" policy.

The *communautaire* line on EEC fishing is that, as members of a co-operative economic unit, EEC countries should regard fish stocks as a common resource to be shared out equitably among them. This attitude has obvious sttractions for countries with limited fish resonrces of their own and is therefore backed by most EEC members. But for Britain and Ireland it is anathema.

The British fishing industry points out that ovar 60 per cent. of the common EEC "fish pond" would have fallen within U.K. national limits were it not for EEC membership—and this araa includes most of Europe's richest grounds.

Apart from feeling that the other EEC countries are laying unfair claim to its own rigbtful property, Britain argues that the EEC policy would fail to arrest the recent alarming decline in European fish stocks. British fishermen simply do not trust their continental counterparts to "play the game" when it comes to setting and observing catch limitation rules.

At Brussels talks Britain and Ireland both initially proposed exclusive economic fishing zones extending 50 miles off the coast (or up tn the median line between countries where there was less than 100 miles of sea) for each EEC member. Bnt the other members have only been prepared to concede exclusive zones of 12 miles. Britain's Agriculture Minister, Mr. John Silkin, has responded with a suggestion for exclusive zones up to 12 miles and dominant preferenca in catch quotas for the coastal State up to 50 miles. But this idea found little favour with the other EEC countries and even less with U.K. fishermen.

So there the matter remains deadlocked—with Britain and Ireland calling for 50-mile exclusive zones and their EEC partners standing firm on 12 miles.

Whatever the rights and wrongs of the case the continental EEC members seem to be holding the stronger hand. No matter how steadfastly Britain and Ireland stick by their claims, it is unlikely that they would have the temerity unilaterally to impose fishing boundaries against their EEC partners or be prepared to arrest their vessels for "illegal" fishing.

Concession

The absence of an agreement on internal EEC fishing policy has already had damaging effects on its fishermen, who are now "locked out" permanently from Icelandic waters and the Barents Sea and temporarily from the Norwegian sector of the North Sea.

To be fair the loss of access to Icelandic waters was not a direct result of EEC policies. But negotiations with the Icelanders were undertaken on a Community basis by the EEC Commissioner, Mr. Finn Gundelsch, who made absolutely no progress on the question. In tha case of tha Barents Sea fishery, however, the EEC must accept a significant share of the hlame. The Russians regarded it as a concession simply to talk to the EEC, which they do not officially recognise, about a reciprocal fishing agreement. Aod they quickly hecame impatient with the lack of progress on this question which was the natural result of the confused EEC fish policy situation. This impatience, aggravated by what they saw as darisory interim quotas in EEC waters, culminated in Septamber in the expulsion of Common Market vessels from the Soviet sector of the Barents Sea.

Norway's reaction to attempts to negotiate with the EEC were similar, though the conclusion was not so dramatic. Instead of hanning EEC trawlers the Nnrwegians unilaterally set a Commmn Market quota in their waters of just under 55,000 tonnes, and fishing was halted earlier this month when this level was exceeded. This development made British fishermen particularly angry, as by their calculations they still had over 2,500 tonnes of fish left to catch in the Norwegian zone.

On September 1, the Common Market was informed that 18,500 tonnes remained out of its allotted catch in Norwegian waters, and this was shared out after negotiations within the EEC between Britain (13,000 tonnes), France (3,200) and West Germany (2,300). Britain drew up a plan sharing out its quota to ensure fishing through to December, and only 10,400 tonnes had been caught when fishing was halted. The extra 2,859 tonnes of fish are assumed to have been caught by the French. The British Fishing Federation's reaction was predictable. "Once again we've been playing the game and once again we've been cheated."

Though 2,500 tonnes is not an enormous amount of fish, this incident raises another important question about EEC fishing policy. This is the choice between catch limitation and effort limitation as a method of conservation. Many British fishermen argue that over the years the quota system of catch limitation has been thoroughly discredited. They say it is impossible to police adequately and that some European fishing nations have showed themselves time and time again not to be trustworthy. Effort limitation, through a system of licensing, on the other hand would appear to pose far fewer policing problems. Each vessel would be identified and would he allotted a specific amount of fishing time in any particular area. Once this was used up continued fishing would automatically be an offence. There would be less need for boarding vessels to examine catches and the system would not rely so heavily on the efficiency of the inspectorate at the ports of discharge. Britain has already imposed such a system for its West Coast mackerel fishery, but it is still too early to judge its effectiveness. There is a strong suspicion in some U.K. fishing circles, moreover, that the more efficient the system proves the less acceptable it will be to some EEC countries. "Anything that makes cheating more difficult will be fought tooth and nail hy the continentals," one U.K. skipper declared sadly.

When agreement is finally reached it will probably be a complicated compromise on all these issues—a mixture of exclusive zones and preferential quotas with licensing and catch quotas operating side by side. But as time passes fishermen are becoming less and less confident that there will still be a European fishery worth fighting over by then.

Richard Mooney

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Inter-European agreement on nuclear power policy has long been a delicate subject. But now that a decision has been taken on the site for the Joint European Torus, more effort can be directed towards the near-term nuclear problems.

Nuclear energy

"I DON'T know what you have ever done," said a senior British nuclear industry executive in public recently to one of the most articulate critics of nuclear power programmes. "I only know what you have tried to stop."

For several years' nuclear power programmes in Europe, where 60 commercial nuclear reactors are generating electricity, have appeared to be drawing an increasing proportion of those who are dedicating themselves to arresting progress in any direction. There is no single, clear-cut reason, as the Windscale public inquiry into Britain's plans for a new chemical plant to treat spent nuclear fuel has made plain. One objector to nuclear installations will say he fears radioactive emissions to the sea or the air, another that the plants will explode, a third that nuclear explosives will find their way into the hands of "untrustworthy" politicians or other entrepreneurs. A fourth will claim that several dozen of the world's largest electrical utilities have all got their sums wrong and have seriously underestimated the cost of nuclear energy—in comparison with the energy source he himself favours.

Ironically, none of these objections appears to have been raised during the two years of debate over Europe's latest nuclear installation, the £120m. Joint European Torus (JET) project, finally approved this autumn. The debate over JET was concerned solely with who was to be proud host. Yet the 11-nation JET project is designed to lead Europe far deeper into the nuclear unknown than the well-tried fission processes—such as fast breeder reactors or enrichment or reprocessing activities—so fiercely contested to-day. JET, if it leads anywhere at all, will lead to a new generation of nuclear plants operating in sizes, and at levels of physical stress and radioactivity, far beyond anything contemplated to-day.

No less ironically, there is no possible way that JET can help to solve Europe's energy problems in the next 50 years. Thirty-five years of experience with the engineering problems of present-day nuclear fission reactors have made nuclear engineers—if not the politicians—very realistic about the problems they can expect from nuclear fusion reactors.

Europe's energy problem can be summarised in a few statistics. Western Europe consumes (1976) 20 per cent. of the world demand for energy. But it possesses only 10 per cent. of the world's coal reserves, 9 per cent. of its gas reserves, and 4 per cent. of its oil reserves. As Professor Karl Beckurts, president of the European Nuclear Society, told the Council of Europe's energy colloquy in Strasbourg last month, "nuclear power appears at the right moment when Europe's energy supply situation is at a most critical stage."

This is a message the governments of Europe have put forcefully to President Carter during the last six months. After striking a strongly anti-nuclear pose during his election campaign, the President accepted in April the necessity for a substantial U.S. nuclear power programme. But he attempted to impose control by the U.S. Government of the pace and direction of nuclear development in Europe. He was told very bluntly by Europe's political leaders that this constituted a totally unacceptable interference in the sovereignty of European nations.

In fact, his ideas were seen as a positive threat to the economic security of Western Europe. As M. André Jacomet, representing the French Government, told the International Nuclear Fuel Cycle Evaluation meeting called by the President in Washington in October, "some parties" were making proposals which "tend to bring into question the technological bases on which the electronuclear industry was developed, and this at the precise moment when its necessity is becoming obvious." It had created a "climate of great uncertainty in industrial programmes and of distrust in relations among states, causing great concern for my Government," he said.

This autumn the President has perceptibly softened his earlier stance. But the warnings for Europe are written clearly. For one thing, the U.S. is still withholding essential supplies of uranium enrichment ordered by European utilities and research centres. For another, in spite of presidential endorsement of nuclear power in principle, and of the need to accelerate nuclear plant construction in the U.S., Mr. Carter's administration now includes enough people experienced in, and dedicated to, stopping projects in enough key roles to frustrate his intentions.

The key issue in question to-day (it could well be quite different in, say, a year's time) is whether, and under what circumstances, spent nuclear fuel should be reprocessed. Reprocessing is both a waste-management exercise, which separates the constituents of spent fuel into more manageable portions, and an energy-conservation exercise, which permits unburnt fuels—uranium and plutonium—to be recycled. European governments with the greatest experience of nuclear energy are convinced that spent nuclear fuel should be reprocessed.

The West German Government has encouraged its electricity industry to draw up plans for a nuclear fuel complex at Gorbelen in Lower Saxony, which would include not only a thermal oxide reprocessing plant larger than is currently envisaged for Windscale, designed to serve some 50,000 MW of domestic nuclear capacity, but long-term storage facilities for the radioactive waste. The plans were detailed in a 3,000-page safety report prepared by Deutsche Gesellschaft fur Wiederaufarbeitung von Kernbrennstoffen (DWK), the German company for the reprocessing of nuclear fuel, set up by 12 electro-nuclear utilities. They surmounted their first major hurdle this autumn when a commission specially set up to examine the report concluded unanimously that the safety proposals — including storage of the highly radioactive waste—were acceptable. It was the first time such a body in any country has approved such a scheme.

Complex

But the Gorbelen complex will take 20 years to complete, and is unlikely to start reprocessing spent fuel before the 1990s. DWK does not expect to negotiate its first construction licence for at least another four years, and then only for a spent fuel storage pond. Meanwhile, under an agreement it reached with the governments of France and the U.K., in 1971, the German Government expects its electricity industry to use the reprocessing facilities of its two partners in order to keep spent fuel flowing smoothly from the reactors.

France is already pressing ahead with new capacity, in a series of 800-tonne tranches at Cap le Hague, for reprocessing the fuel from its own big nuclear programme, with additional capacity for overseas orders. It has negotiated contracts in Europe not only with German utilities but with those in Switzerland and Sweden (where Sydkraft is still waiting to learn whether the Swedish Government approves of its plans). France's readiness to undertake other countries' reprocessing has inevitably drawn the fire of their own nuclear opponents, who see Cap le Hague as a convenient excuse for their governments to avoid any necessity to shut down nuclear reactors.

For that reason France is somewhat nervously watching the outcome of the Windscale inquiry in Britain. In theory, should the British Government decline to accept more overseas fuel for reprocessing, France stands to pick up contracts worth several hundreds of millions of pounds during the 1980s, while other European nuclear nations are executing plans for national independence in spent-fuel reprocessing. But France also knows well that, for a nation already committed to large-scale reprocessing of one type of nuclear fuel (Magnox), anything less than wholehearted endorsement of oxide fuel reprocessing and the proposed new plant could give nuclear energy's opponents a victory that might well hazard all of its plans for energy independence by the electro-nuclear route.

David Fishlock
Science Editor

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European science research policy has been a grey area in the past, but now the signs are that a common approach can be worked out and adhered to, largely based on long range forecasting techniques.

Research

EARLIER THIS year the EEC Commission obtained for itself a handsome vote of confideore in the value of having a European scientific programme. Eight national institutes, under the general programme of the Eurobarometer surveys, took part in interviewing about 9,000 people on their attitudes towards science, scientific research and the pursuit of science as a European Community objective. What has already emerged, in advance of the full findings, is that more than two out of three Europeans see science as one of the main means of improving their lot, even though almost as many recognise that—like life-saving drugs—it has the potential for some very nasty side-effects. Moreover, almost nine out of ten are confident that science will continue to yield beneficial discoveries.

Four out of five think that governments should subsidise scientific research. What is more surprising, however, is that almost as many think the member states of the EEC should pool their efforts rather than pursue scientific quests separately. But which scientific quests? The priorities accordad by interviewees may be less acceptable than the overall endorsement of research. Medical, agriculture and pollution-control all win high ratings. Also seen as areas of priority are the search for new forms of energy—effectively an endorsement of the £120m. Joint European Torus (JET) project—and for new ways of preveoling and treating drug-taking. Safety of nuclear installations ranks after these five in priority. Lower still is research in space science and in the pursuit of new weapons or defence methods; while the usefulness of meteorology and climate control go unrecognised.

Armed with this endorsement the Commission feels far more confident in the futura of its scientific policy. As Mr. Guido Brunner, its member responsible for research, science and education, has said: "We shall not be able to implement such a scientific policy unless the people of Europe, and the individual citizens, understand the important role it will play in shaping their future lives."

Modestly

As a community, Europe is spending only modestly on research—between 1 and 2 per cent. of corresponding expenditure on research and development by member states—and has laid no plans for sharply increasing the proportion. Over the four-year period 1977-80, public funding of the research and development programme by the Nine member states is expected to amount to about 50bn. units of account. There are three different forms of action taken by the Community in pursuit of its various scientific goals.* Two of these, *direct* and *indirect* action, have evolved from the Euratom Treaty. But *concerted* action is a novel concept, unshackled by past associations.

Direct action is the research pursued through the EEC's Joint Research Centre, to the tune of 350m. units of account for the current four-year programme. The rationale for this programme is that the four laboratories of the Joint Research Centre provide Europe with its own independent research potential and can thus catalyse projects of Community interest, later to be pursued by individual states. The Commission cites, for example, the planned European heliocli-matron as an example of a large central facility that can be organised by direct EEC action. This will provide European scientists with a powerful simulator with which to explore uses of solar energy under consistent conditions. Again the Commission cites the ECDIN data bank of chemicals harmful to the environment, which has been built up at Ispra (Italy), largest of the four laboratories.

Indirect action is the research programme pursued through the existing research centres, universities, and so on, of the Member states. Whereas all the funds for direct action come from the EEC's budget, only about half of the 613m. units of account allocated to indirect action are found from EEC funds.

The EEC sees its main role here as one of co-ordinating programmes in areas where it is accepted that this could: 1, Usefully eliminate duplication of effort among national programmes; 2, Avoid any divergent tendencies among Member states; 3, Improve the efficiency or cut the cost of national and Community projects; 4, Harmonise procedures for formulating and implementing science policies in the EEC.

In practice, co-ordination has not been found to work either in basic research (which is inherently ill-suited to the design of projects) or in the kind of applied research undertaken by private industry (because of the commercial competition). It has worked only in publicly-funded research and development; and on a large scale in one field only, nuclear fusion. Even the EEC fusion programme was showing severe signs of strain after two years of bickering about which nation was to host the JET project, the first EEC-funded fusion experiment.

Concerted action, like indirect action, concerns research carried out by research groups in the Member states. But the EEC finances only the cost of co-ordinating the effort, not the research itself. The amount allocated is minuscule—merely 4m. units of account for 1977-1980, for the co-ordination of about 58m units of account's worth of research by Member states. The idea is that the overall programme shall be commonly defined but its individual parts shall remain the responsibility of individual countries.

Early in 1974 the Council of Ministers approved an exercise which came to be known as "Europe + 30"; a study of the "foreseeable or possible developments over the next 30 years which are likely to affect the progress of Europe." Could the EEC create a forecasting instrument that could be constantly updated to give timely warning of momentous changes? Lord Kennet, who took charge of Europe + 30, has suggested that it is needed "to foresee crises, to forecast about the underlying cause of inflation, and generally to reduce the uncertainty of the future . . . to remove the very troubles which might prevent its creation."

So far, a rather more modest project than Lord Kennet envisaged has been approved. The FAST (forecasting and assessment in the field of science and technology) programme, set up initially for five years, has a budget of only 4.4m. units of account with which to execute three main tasks: monitoring and analysis of existing forecasting and assessment research

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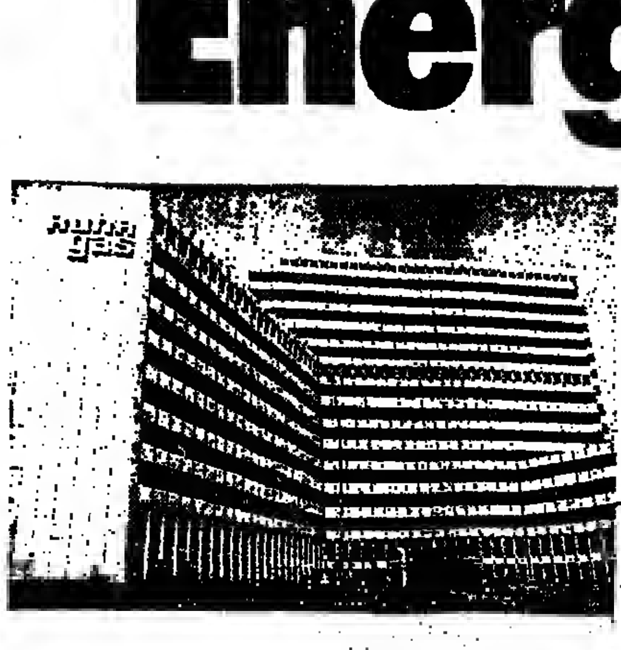
Ruhrgas in the International Energy Market



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Mr. Wilhelm Haferkamp (left), Commissioner in charge of external relations, and Viscount Davignon, Commissioner for industry, seen here with Mr. Roy Jenkins, have had the difficult task of reconciling the EEC's continuing commitment to free trade with the need to protect certain industries, notably steel, from the worst excesses of international competition.

One of the great issues facing European industry in the coming year is how to bring about the modernisation which is urgently needed in several key sectors and in the face of increasingly determined opposition from the employees and communities likely to be affected by the changes.

Industry

AS THE recession has continued during 1976 it has become obvious that a number of traditional industries—steel, shipbuilding, textiles and fibres, and to some extent paper and board—face structural problems which not even an upturn in the economy will solve. If the companies in these sectors are to be competitive in world markets, what is required is not only a substantial investment in new facilities, but the closure of a number of obsolete plants; both measures will involve large-scale reductions in employment.

In a free market economy companies which are unable to compete would be forced out of business. But most European countries operate in what has been called a twilight world, somewhere between a free market and a fully planned, socialist economy. In this world governments intervene to keep unprofitable plants in existence, either by providing "temporary" subsidies or by bringing them under State control. To take shipbuilding as one example, few countries seem likely to follow the U.K.'s example of full-scale nationalisation, but the techniques used to keep shipyards in being—and to enable them to quote low prices for the few orders available—do not differ greatly from one country to another. The willingness of individual governments to maintain manufacturing capacity which is surplus to requirements aggravates the instability of the markets and makes the necessary adjustments all the more difficult to achieve.

If the European Community had an industrial policy along the lines put forward by the Commission a few years ago, these structural problems could, at least in theory, be tackled on a Community-wide basis. But the political will for such a diminution of national sovereignty has never been there. Only in steel is there machinery at the Community level to deal with a crisis such as certainly prevails to-day. The responsible Commissioner, Viscount Davignon, has developed a plan which involves minimum prices on certain products, stricter action against imported steel (either through anti-dumping action or by negotiating voluntary restraint agreements) and, most difficult of all, a planned reduction of capacity. Despite the existence of a new and more powerful trade association, Eurofer, and the tradition of collusive price behaviour among the leading companies, the effects of the plan have so far been disappointing: the long-term structural changes, in particular, will be extremely difficult to negotiate on an international basis.

Strength

National governments and individual companies are happy to make use of the collective strength which Community membership provides in trade negotiations. Clearly the Community is likely to be more effective than a national government in putting pressure on the Japanese, for example, to increase their ship prices or to cut back on their exports of cars, TV sets and ball bearings. Through the Community, too, governmants have sought to negotiate a tougher version of the Multifibre Arrangement in order to protect their textile industries against competition from low-cost producers. It is also possible, though it has proved difficult to put into practice, that the influence of the Community can be brought to bear to prevent the creation of unnecessary new capacity in such sectors as synthetic fibres. But these are essentially defensive steps, which may help to bring some order into the markets but do not in themselves make the industries more competitive internationally.

Even if the world economy recovers more strongly next year than most forecasters now expect, the need to raise the underlying efficiency and productivity of European industry to an internationally competitive level will remain. There are fears that the willingness of employees to accept industrial rationalisation has been reduced in several countries by legislation which has enhanced the rights of employees and severely limited the freedom of management to make changes in working arrangements; formal or informal systems of worker participation in management have reinforced these trends. At best, these legislative developmants have reduced the speed with which companies can react to changing market conditions; at worst they have provided unions and employees with what amounts to the power of veto over certain decisions. While the social and political arguments for strengthening the bargaining power of trade unions and enhancing job security are impeccable, a way of reconciling these changes with the requirements of a competitive and flexible industry has yet to be found.

The desire to escape these social pressures has been one of the factors behind the remarkable surge of European investment in the U.S. over the past year or so. Sometimes regarded as the last bastion of capitalism, the U.S. provides a huge tariff-free market with an enviable rate of growth, relatively modest inflation and production costs which are now lower than in parts of Western Europe. German manufacturers, in particular, have faced increasing difficulty in maintaining direct exports to the U.S.; the example of Volkswagen in putting up its own American factory has been followed by several other companies. British, French and other European companies have been involved in a series of takeovers of American companies. While these new ventures have not necessarily been at the expense of investment at home, they reflect the attractions of the U.S. as a manufacturing base.

To some extent these investments in the U.S. should be seen as part of the process by which European companies are becoming more multinational in scope, matching their American rivals (most of whom are well entrenched in Europe) in scale of production and in sophistication of technical development. This is particularly true of the electronics business, where companies like Philips and Siemens (and smaller firms such as Racal in the U.K.) have used American acquisitions as means of obtaining access to the know-how and experience of the world's most advanced electronics industry.

It is true that in such fields as semi-conductors and computers U.S. companies still appear to have the edge in technology and in manufacturing efficiency. There remains, for example, a long-term question mark about the structure of the European computer industry. Some observers predict an eventual realignment between the three main "national" companies—ICL in the U.K., CII-Honeywell Bull in France and Siemens in Germany. But it may be that as these European companies become more active in the U.S. market (and as the computer industry itself becomes more diffuse), the technological gap, where it exists, will tend to diminish.

There is still one sector where the gap between the Americans and the Europeans seems as large ever—the manufacture of aircraft. Because of the world recession, the demand for new airliners has been sluggish and the airlines have been under no pressure to commit themselves to any of the various new projects which are under study. The result is that the future shape of the aircraft industry in Europe—and the future of relationships between European and U.S. companies—remains unclear.

Grouping

There are still many who argue for a grouping of the principal European manufacturers around the Airbus project and its proposed derivatives; the leasing deal which has been arranged with Eastern, one of the largest of the domestic American carriers, may possibly open up the U.S. market for this aircraft. As for the newly nationalised British Aerospace, a number of permutations have been discussed, some involving the French, others a link with one of the American aircraft builders; in West Germany, meanwhile, a realignment of the industry, bringing together MBB and VFW-Fokker, seems likely in the near future.

Whatever the final outcome of these national and international moves, it is now more widely recognised that one of the necessary conditions for the survival of a healthy European industry is a stake in the U.S. market, either through an alliance with a rival manufacturer or in some other way.

For European industry at large, however, alliances or investments in the U.S. provide no escape from the need to upgrade the efficiency of the domestic manufacturing base. In the manufacture of "commodity" products with relatively low added value European manufacturers are finding it increasingly hard to compete with countries which are better endowed with raw materials or have lower labour costs. In the more sophisticated products the Japanese pose a considerable threat, particularly as they diversify their exports into such sectors as machine tools and other capital goods, where the Europeans have traditionally been strong.

European governments, whether individually or acting together through the EEC, may be able to moderate the worst effects of the competitive struggle, but the task of modernisation is basically a matter for the manufacturers themselves.

Geoffrey Owen

Research

CONTINUED FROM PREVIOUS PAGE

activities; suggesting research action required to meet future need; and close collaboration with some powerful forecasting teams already in business in Europe, such as the International Institute for Applied Systems Analysis in Austria and the Science Policy Research Unit in England. FAST is strictly a pilot project, intended to supplement the Europe + 30 report in guiding Brussels on whether and what form its crystal-gazing establishment should finally take.

It would be an exaggeration to claim that the European Communities' research and development programme had been a great success. It has produced no Nobel Prizes, nor findings—say in energy or natural resources—which Member states are tumbling over themselves to put to work. It has caused one protracted political quarrel, over the acquisition of the JET project, in which national prestige and not utility was plainly the main motive.

But the JET quarrel was finally resolved this autumn. A long-range forecasting activity for Europe has begun to take shape. The EEC has been instrumental in helping to bring together the 15 founder nations of the European Science Foundation, which is successfully knitting European scientists into a genuine community. In the European Community no less than in any other sector of society that finances science, the research and development programme is a demonstration of faith in a culture with a long history of helping mankind's wellbeing.

What the science policy-makers in Brussels—right up to ministerial level—must be more careful of is making claims for a common science policy that are exaggerated or out-of-tune with political realities. It is a trap that a British Government encountered in the early 1960s, with the "white-hot technological revolution" that never was. For Britain it proved a trap that inflicted wounds that have still not healed.

*Common policy for science and technology: EEC Supplement 3/77, 1977.

David Fishlock

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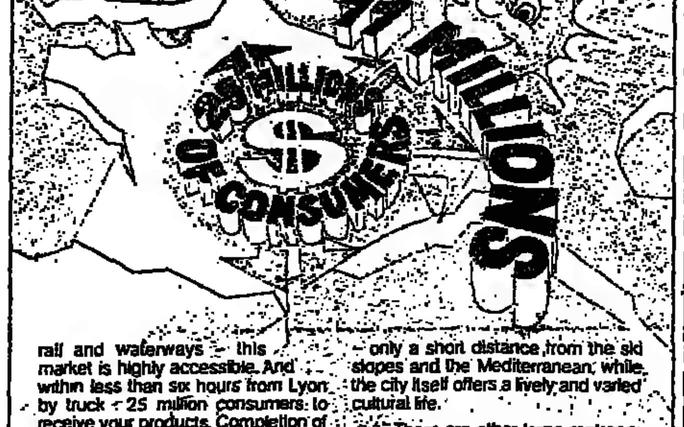

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The West Germans have had some battles to fight during the past year — and have won most of them. But the country has been forced to think deeply about itself and about its relations with the rest of the world.

West Germany

THIS AUTUMN the West German Government has had to face two serious challenges—one from terrorism, the other from opponents of nuclear power. Had it clearly lost either battle, its future would have been in jeopardy. But it has emerged with honour—if not wholly triumphant—from both.

In retrospect it hardly seems credible that Bonn would have released 11 jailed terrorists as the kidnappers of the industrialist, Dr. Hanns-Martin Schleyer, had demanded. But at the time it appeared by no means sure that the "crisis staff" under Chancellor Helmut Schmidt would remain firm. It seemed even less sure when Dr. Schleyer's kidnappers hijacked a Lufthansa jet and more than 80 further lives were endangered.

In the event Bonn resisted blackmail and the hostages aboard the jet were rescued by a special German commando force. The action had its price. Dr. Schleyer was murdered. But the reaction throughout West Germany had the 11 been released and flown abroad is not hard to imagine. A mockery would seem to have been made of German law and justice. A Government led by a man renowned at home and abroad for toughness and decisiveness would have been seen to buckle—albeit under scarcely tolerable pressure.

True, the opposition took part in the joint decision-making in Bonn throughout the crisis period. But the Government, and Herr Schmidt in particular, would have borne the responsibility in the eyes of the public had the joint strategy failed. As it is the Government reaped the benefits of standing firm. And that in itself helped to draw together two coalition partners—the Social Democrats (SPD) and the Free Democrats (FDP)—for whom little has gone right since they were returned to office last year with a parliamentary majority of only ten. There have been increasing signs of restiveness on the wings of both coalition parties. Had the opposition Christian Democrats (CDU) and their Bavarian allies, the Christian Social Union (CSU), been more effective in following a joint strategy, a more serious split might have been forced in coalition ranks.

The CDU-CSU has now lost the advantage. But it could regain it in the course of four provincial elections next year, whose results will be crucial in determining the composition of the Bundesrat, the federal upper house.

Positive

The terrorist affair has also bad, on balance, a positive influence on West Germany's relations with its neighbours. Herr Schmidt has gratefully acknowledged the advice and support he received, particularly from the French President and British Prime Minister. And while there has been a spate of anti-German feeling abroad, especially in France, this in turn spurred normally reticent supporters of West German democracy into speaking out.

None of this means the terrorist threat is over—though it is conceivable that Bonn's firm attitude may make future kidnappers think twice about trying similar tactics. The Bundestag acted over-hastily in passing a law barring certain prisoners from all contact with the outside world under emergency conditions. But there is still a chance to correct some aspects of the law which go too far. And the experience in itself may serve as a warning against acting in haste should similar circumstances emerge.

Terrorism presented a threat apparent to all. The challenge the Government faced on the energy front has been harder to combat, simply because so many people failed—and still fail—to recognise how serious it is. With shop windows lit until late at night, prices at petrol stations actually falling and with power stations working at under capacity—for many this seems to add up to, if anything, a problem of energy glut. Why then press for nuclear power when there remain unresolved questions of safety and disposal of nuclear waste?

The answers lie in the Government's energy guidelines and the findings of independent economic institutes published in March. If West Germany is to have a sufficient rate of economic growth to avoid a big increase in unemployment in the 1980s, a steady build-up of nuclear power is unavoidable. Similarly Bonn feels bound to continue development work on the fast breeder reactor, since this will enable more efficient use to be made of uranium supplies, virtually all of which West Germany has to import. The alternative would be greater import dependence—to add to an existing import dependence on oil and natural gas.

This summer there was a real danger that both the SPD and FDP would decide on a moratorium on further building of nuclear power stations. Had the Government accepted such party decisions—and it would have been hard in the long run to have ignored both — West German economic growth and, indeed, social peace would have been endangered. In November the congresses of both parties managed to find a compromise. It hardly signifies a welcome for nuclear energy with open arms. But, and this is the main point, it does not put the Government in a strait-jacket either. The nuclear debate will continue, but Herr Schmidt and his Ministerial colleagues will have room to manoeuvre.

The truth is that West Germany simply cannot afford to drop the nuclear option. The point was recognised well enough by some 50,000 trade unionists who demonstrated in Dortmund in November in favour of nuclear power—a marked contrast to the many marches and sit-ins organised over the last year by the anti-nuclear lobby.

For the third year in succession the country will have an average of around 1m. unemployed. The real growth rate of 5 per cent in GNP which the Government hoped for will probably be only about 3 per cent. Bonn has repeatedly acted to stimulate the economy—most recently with a DM10bn. package in September and a more expansionary budget for 1978. But it will be a long, hard grind. And it will probably be accompanied by pressure from trading partners who feel that West Germany is still doing too little to help pull the western world out of recession. The striking drop in West Germany's current account surplus—and the deficit in the country's basic balance—tend to be overlooked. These are not circumstances in which the country can cheerfully turn its back on an atomic power station building industry which is now earning billions of DM in export orders after years of losses and disappointments.

Friction

It was the question of nuclear exports which brought the first major friction between West Germany and the new U.S. administration of President Jimmy Carter. Another irritant was what the Germans felt to be the President's far too overt espousal of the human rights cause. Bonn felt that continuation of such a policy would bring disaster at the security conference in Belgrade and a general worsening of relations between the super-powers. West Germany's own policy of "small steps" to improve relations with Eastern Europe in general—and East Germany in particular—would thus be undermined too. An understanding has been reached between Bonn and Washington on both the nuclear and "Ostpolitik" issues—but there remains uneasiness about President Carter's unpredictability.

A policy of "small steps" also characterises the West German approach to the European Community. The grand design of a monetary union proposed by the European Commission President, Mr. Roy Jenkins, in the autumn brought shudders in Bonn Ministries. West Germany holds fast to the currency "snake" and is all for joint efforts to try to bring about greater convergence of national economic policies. But the monetary goal seems a very long way off indeed. And it recedes still further with the prospect of enlargement of the Community to include three relatively poor southern countries. Bonn firmly supports enlargement and would like to see the prospective members drawn at an early stage into the procedures of European political co-operation, which exists already among the present nine member states. But it sees the problems ahead too — especially for the Common Agricultural Policy and over the right of workers to move freely throughout the Community. Herr Schmidt has pointed out that enlargement cannot be used as an excuse for transferring unemployment from one state to another. And he also says that those who support full integration in Western Europe must see that enlargement pushes their aim much further into the distance. He himself sees no practical way in which it can be realised.

Jonathan Carr
Bonn Correspondent

The Italian political scene continues to be as fragile as ever, co-habitation rather than coalition being the formula of the day. Economically, too, the country has its usual share of problems, though the picture is beginning to look slightly brighter.

Italy

THE FRAGILE minority Christian Democrat Government of Signor Giulio Andreotti has already survived longer than the average for Italy's three dozen or so post-war administrations. In the process, the Prime Minister has already created something of a personal best, for the 17 months he has now been in office easily surpasses the duration of the two earlier Italian Governments under his leadership. It is even conceivable that this man who has been on the political scene for some 30 years (and out of Ministerial office for only about 2½ of them) could establish an all-time Italian record as the man who headed the country's longest reigning Government. All this, and without a working majority in Parliament!

The explanation lies more in the outcome of the last general election (June, 1976) than in the undoubted political and tactical skills of Signor Andreotti. What the electorate decided then, whether through chance or from some mass telepathic conspiracy, was that no political party, or generally acceptable coalition of parties, would have an overall parliamentary majority. The result was close to the classical stalemate—in a general election which was called one year prematurely in order "to clarify the political situation."

Condemned

The electorate, in effect, condemned the country's two major political forces, the long-ruling Christian Democrats (DC) and the fast-advancing Communists (PCI) to find a *modus vivendi* for co-habitation, if not quite in the cabinet chamber, then at least in the ante-room. Together these two parties captured almost three-quarters of the popular vote, leaving the Socialists (PSI) with less than 10 per cent, the Neofascists with six and the rest, in practical terms, almost nowhere.

This was the impossible arithmetic which Signor Andreotti had to play with when President Giovanni Leone called on him to try to form a new administration. His party detested the Communists, whose basic policy remains the so-called *compromesso storico*, or grand alliance in government of all the country's democratic forces, including of course the PCI, yet the prime minister-designate knew he had no real alternative but to work out some sort of deal with them. The result is the present Government, albeit with some variations since it took office in August of last year. Having examined the new Government's outline policy programme, the PCI decided to abstain in the first crucial vote of confidence, and last July Signor Andreotti worked out a new formula which, on most major issues, has converted that Communist abstention to more direct voting support.

The new formula is something of an Italian phenomenon. It goes under the name of the "programmatic agreement" and, in essence, is a deal which the Christian Democrats have worked out with the Communists and four other opposition parties tacitly supporting the Government and one which, operationally, means that all the parties—but particularly the DC and the PCI—must agree in advance on all major legislative and administrative decisions. Thus party leaders in the traditional smoke-filled rooms work out all the compromises, Parliament itself being left with little more role than that of a rubber stamp, although its committees are playing an increasing part in modifying proposed legislation. However, the big issues are decided elsewhere.

The question for the immediate future is whether this form of *compromesso* will last, although it is not without interest that in recent weeks this "Italian formula" has been explored by political parties both in Spain and Portugal as a headline which might have some relevance in these Iberian countries. In Italy the Christian Democrats insist that the formula has already been squeezed dry, in the sense that it allows for no further openings to the Communists. The PCI leadership, however, has other thoughts, and just now Signor Enrico Berlinguer the party's general secretary, is calling for a reshuffle of the Andreotti cabinet so as to include in it some experts reflecting the political Left, but not necessarily card-carrying Communists as such.

Signor Berlinguer obviously sees the "programmatic agreement" as a milestone along the road to his cherished *compromesso storico*, while many Christian Democrats to the right of Signor Andreotti see it as the end of the line. Their alternative, if the PCI should push hard for more, would be yet another general election, or just possibly in the late spring of next year an attempt to re-establish a Centre-Left administration with the Socialists back into the sort of government fold which ruled Italy for a decade after 1963.

For the moment anyway, the far from united Socialists under their new leader, Signor Bettino Craxi, want none of it, but things could perhaps change after the party's next annual conference probably in late March next year.

It will be next year, too, before there can be a real sampling of electoral opinion on the present governing (if not government) formula. This may come about when local elections postponed from last month are likely to take place, a sampling which will involve more than 10 per cent. of the national electorate and one which will represent a considerable geographical spread. These local elections were postponed by agreement between the big parties, precisely because neither of them wanted to risk a potentially unfavourable verdict from its sup-

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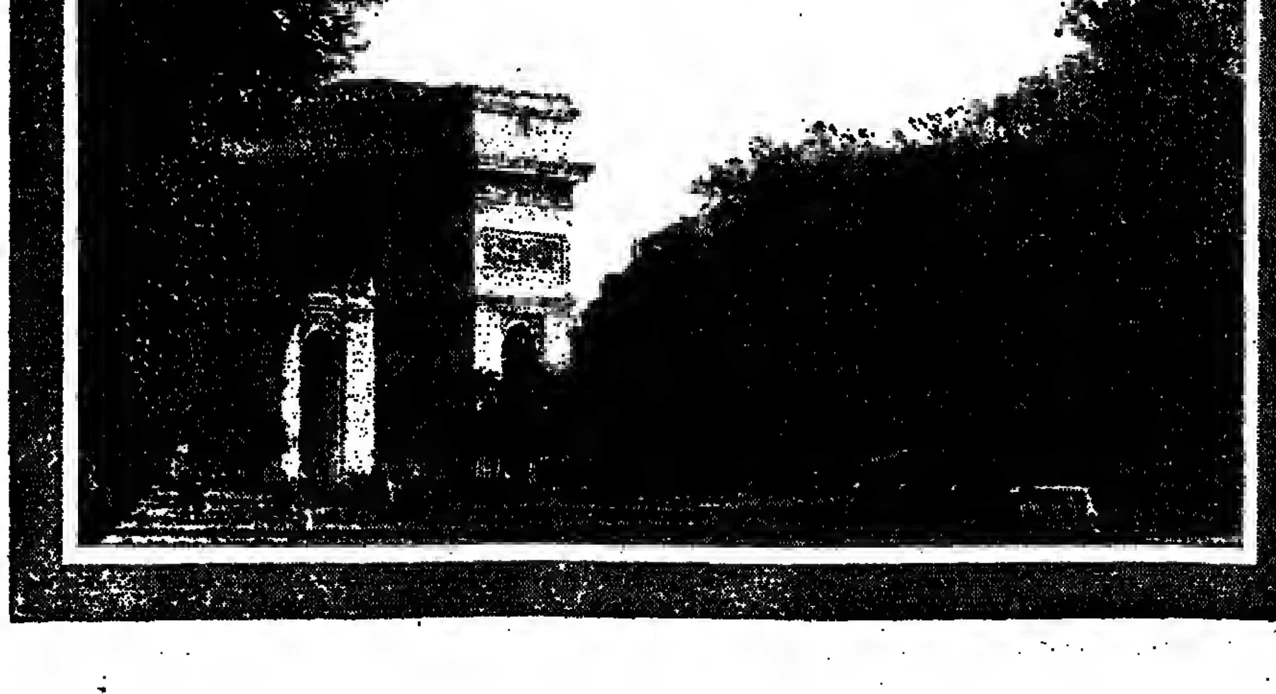

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EUROPE XI

Despite the rapid shift in public opinion in France in recent months in favour once more of the Government, and the general disarray of the left-wing alliance, next year's election could be a close thing. A good deal will depend on the Government's economic programme.

France

THE OUTLOOK for France has changed radically over the past few months. Only last summer it was still the conventional wisdom that the Socialist-Communist Union of the Left could not fail to win the general election next March. To-day, after the dramatic breakdown of the Left-wing alliance last September, the outcome appears much less certain.

The political pendulum, it is true, has swung much more slowly in France than in Britain over the last 20 years. In France, conservative coalitions dominated by the Gaullist Party have been in power since 1958 but they benefited from two exceptional factors. The first was the outstanding personality of General de Gaulle, who succeeded in building up support in the country which cut right across the traditional party frontiers, and the second, somewhat paradoxically, was the student-worker revolt of May 1968, which provoked a widespread conservative backlash.

Since that traumatic event, however, the traditionally stormy Franch political waters beve become relatively calm. Fears of violent political upheaval have virtually disappeared and this, together with the rapid growth of economic prosperity over the past 15 years, bas created a climate in which a real political change has become much more acceptable and feasible. Indeed it is the long years of stability, so alien to the Gallic temperament, which have nurtured a general feeling of *ennui* and which, coupled with the very real economic and social difficulties which the country has faced since the 1973 oil crisis, allowed the Socialist-Communist alliance to make so much headway until the early autumn.

President Valery Giscard d'Estaing, whose political instincts have often been questioned, must be given credit for accurately perceiving this desire for change in the presidential election campaign of 1974. But it is worth remembering that, though he exploited this sentiment to the full, he managed to obtain only a few hundred thousand votes more than the required 50 per cent. majority of the popular vote. Even three years ago the joint candidate of the left, M. Francois Mitterrand, the Socialist leader, came within an ace of becoming President of France.

Moreover, as time went on disillusionment with the slow implementation of the reforms promised by M. Giscard d'Estaing during the election campaign and the economic policies of his successive Governments grew rapidly. The early impetus given by a batch of social reforms, including the liberalisation of the abortion, birth control and divorce laws, the lowering of the voting age from 21 to 18, generous unemployment benefits and higher social security payments could not be sustained.

France is still waiting for a radical overhaul of its antiquated taxation system, which gives much too much weight to indirect taxes and which is a continuing obstacle to a much needed narrowing of the gap between the highest and the lowest paid. In addition, the present Government, headed by an economist Prime Minister, M. Raymond Barre, has sacrificed its popularity to austerity policies of which the Left-wing opposition has made much political capital.

Ousted

In the municipal elections last March, Socialists and Communists ousted pro-Government councils from 55 towns of more than 30,000 inhabitants and won control of more than two-thirds of the big towns. And as recently as the early summer the public opinion polls still gave the Socialists, Communists and their Left-wing radical allies more than 52 per cent. of the popular vote.

It was at this point that the old destructive demons raised their heads again and the Communists launched a campaign for the updating of the common programme of the Left which, after an acrimonious public debate throughout the summer, led to the virtual breakdown in September of the alliance with the Socialists.

The disagreements over the detailed policies to be applied by a Left-wing Government, covering the extent of the nationalisation programme, the size and financing of the public spending programme, wage differentials, defence policy and a host of other issues were no doubt fundamental.

They accurately reflected the basic philosophical conflicts between a Socialist Party which, though well to the Left of the mainstream of the British Labour Party, remains essentially in favour of a mixed economy, and a Communist Party determined to lay the foundations of a Soviet-type economic system.

Important as they are, however, these differences are of less interest to-day than the reasons behind the Communist tactics. Several plausible theories have been put forward and it is probable that all of them bear some relation to the truth.

The Communists acutely aware that the common programme of the Left adopted in 1972 remained vague on many points, wanted to spell it out fully while they still had the power to do so. They knew that they would be in a minority in a Left-wing Government and suspected that the Socialists and radicals would go back on their promises unless they had been firmly pinned down before the election.

Political observers have perhaps been too ready to equate the French Communist Party with its Italian sister organisation. Though it has progressively become "Eurocommunist," with a growing emphasis on national independence and the right of every party to decide on its own road to Communism, it has always rejected the so-called "historic compromise" currently favoured by the Italian Communists.

Indeed it is clear that the transformation of the French Communist party from a Stalinist into a "Eurocommunist" party has been somewhat too rapid for the taste of its own militants, who were afraid that it was sacrificing its purity on the altar of unity with the Socialists. Opposition to the more liberal line of its leader, M. Georges Marchais, hardened and forced the leadership to take a tougher line with its partners. In the last resort the French Communists were more interested in preserving their own cohesion and power base than in joining a government within which they would have to make too many compromises.

The failure of the Socialists and Communists to agree on their common programme does not, however, preclude their victory in the next election. It just makes it much less probable that they will be able to form a Government. There is still a possibility that they will be able to forge a purely electoral alliance and that together they will control about half the seats in the National Assembly.

As things stand it is becoming increasingly likely that President Giscard d'Estaing will use the tensions which have built up on both sides of the political spectrum to fulfil his long-standing dream of forming a Centre-Left Government, including the Socialists as well as the present coalition partners. The outcome of the general election could well provide him with the opportunity of jettisoning the Gaullists, who are undoubtedly over-represented in a Parliament which was elected while President Pompidou was still alive.

Unpopular

Economic factors will of course play an important part in the voters' choice. The economic stabilisation policies pursued by M. Barre since last autumn, however necessary, have become increasingly unpopular. Throughout the current year wages and salaries have been allowed only to keep pace with inflation and no real rise in purchasing power has been permitted by the Government, except in the case of the lowest paid. And the Prime Minister has recently indicated that no real increase in wages for the great majority of people will be authorised until the end of 1978.

The Goveroment would be in a more comfortable position if the sacrifices it had demanded had enabled it to reach its own targets, but these have been achieved only vary partially. It is only on the external payments and exchange rate fronts that the results have been satisfactory. After record trade deficits at the end of 1976 the shortfall has rapidly declined and the trade balance has been in the black since September. The franc, though it has lost ground against the D-mark and Swiss franc, has strengthened slightly against the dollar over the past few months, an important consideration given the fact that France imports nearly 75 per cent of its energy requirements, for which it has to pay in dollars.

The battle against inflation, on the other hand, is far from won. The rate of increase overall for 1977 is expected to be 9.5 per cent., only marginally lower than last year and nearly two points higher than M. Barre's objective. Worst of all, from both a social and political point of view, unemployment has been rising steadily throughout the year to the post-war record level of nearly 1.2m., and though it has begun to fall recently could still be close to the 1m. mark at the time of the election.

More so than in most other Western industrialised countries, French public opinion has found it difficult to adjust to the idea that, following the oil crisis in 1973, the country must draw in its horns and cannot expect to achieve the growth rates of between 5 and 6 per cent. per year to which it has become accustomed. Even the Government set itself an initial target of a 4.8 per cent. rise in GDP in 1977 and had to scale it down progressively throughout the year. The fact that the final figure is unlikely to exceed 3 per cent., and may well be less, tends to be blamed on the Government rather than on the international economic situation.

The outlook for next year is only marginally brighter. Once again, the Prime Minister has predicted a 4.5 per cent growth rate but, privately, officials are extremely sceptical and the OECD has forecast that the French economy will expand by no more than 3 to 3.5 per cent.

The Government is hoping that the upturn in household consumption, which began in June, will gather pace in the coming months as the result of increases in the minimum wage and in pensions and other social security benefits. But stocks are high at the moment and there are no signs yet that they are declining. Meanwhile the demand for capital goods remains slack.

It is clear therefore, that the Government will not be able to paint a vote-catching economic picture at the general election in March. On the contrary, the high unemployment and inflation figures are likely to help the parties of the Left and offset some of the damage which has been done to their prospects by their failure to reach agreement on a common programme. Barring unforeseen developments the result is therefore likely to be very close.

Robert Mauthner
Paris Correspondent

Italy

CONTINUED FROM PREVIOUS PAGE

porters in the governing *compromesso*. Marginal electoral shifts can count for much in Italy, and even a small swing away from the PCI and towerds the DC could put the whole formule et risk. Similarly, a small move to the Left would reinforce those many Christian Democrats on the political Right who insist that the DC must ultimately lose from its present arrangement with the Communists.

In this delicate political mix, the next few months will be crucial, not least for Signor Andreotti, who is not altogether loved by all elements of his party, some of whom believe that he has already captured for himself too much personal power. Everything in politics is relative, but with that qualification, the Prime Minister is in a sense trusted by most senior PCI leaders, which is enough of itself to bring him more than a fair share of enemies in DC ranks. He is supported generally by the party machine under the reformist general secretary, Signor Benigno Zaccagnini, and, for the moment anyway, ostensibly, by the enigmatic Signor Aldo Moro, the DC President.

For the moment anyway, Signor Andreotti maintains his image for both efficiency and compromise. His new Government acted quickly and with some determination, given the realities of the political and social forces in the country, in tackling the immediate economic crisis last year, even if the emphaaia was more oo monetary and administrative policies than any restructuring of the presently unhalanced national economic mix. These measurea have, for the moment at least, steadied the lira's exchange rate against the U.S. dollar, and the Government's austerity package last autumn bas resulted in e relatively sharp cutbeck in imports, while exports this year have advanced impressively, not least of course because of the devaluation of the lira. The further standby credit negotiated with the International Mooetary Fund (IMF) in April helped to restore international confidence in Italy, while fiscal drag and the advance payment of some 1978 taxes has boosted Government revenues and reduced the public sector deficit this year to more manageable proportions.

Italy's balance of payments on current account were in surplus in October for the fifth straight month and show a surplus of L.1,643bn. in the first ten months of this year, against a deficit in January-October last year of L.1,914bn., and it is now evident that the payments account overall will be well in surplus for the year as a whole, possibly by over $1.5bn. The available reserves of the Bank of Italy currently stand at well over $8bn. they were down to below $1bn. at the height of the lira crisis in January last year when the authorities were obliged temporarily to close down the foreign exchange market—but this increase reflects in large part a sharp rise in the net foreign indebtedness of the Italian banking system.

In terms of crisis management to deal with the Lira crisis, the Andreotti Government deserves high marks, but the more deep-seated problems remain. The public sector deficit next year, on the basis of the Government's growth target of between 2 and 3 per cent. (and both Confindustria, the employers' organisation, and the trade unions are calling for more to head off a real slump and make a start to easing unemployment, now acknowledged officially to be more than 7 per cent.) is likely to be well in excess of the revised ceiling agreed with the IMF last April. The Treasury is getting demands virtually every day now for immediate assistance mainly from state-sector companies returning mounting financial losses. The Italian system of wege indexation is constantly pushing up industrial coats on companies which are operating well below capacity because of falling demand. Mounting unemployment is fuelling the existing social tensions in the country, and these are being exploited by extremists at both ends of the political divide. Political violence has escalated in recent months while the political forces fail to aeree on measures to improve law and order.

Agreement

Increasingly, it seema that the Christian Democrats and the Communists, on the surface anyway, are coming together in agreement on the broad direction of what needs to be done to teckle the country's economic and social problems, but there is still precious little agreement oo specific measures. Both now agree on the need to cut Government spending, but not on which cuts.

There is a consensus for better schools, new investment in the depressed southern region agricultural reform in order to reduce food imports, more employment, especially for young people, improved law and order, orderly growth in the economy without another payment crisis.

In truth there is no shortage of problema, simply disagreement on how to tackle them in en orderly and planned manner consistent with the limited resources of a country which was fooled by the "ecooomic miracle" of the 1960s into overpaying itself in the 1970s.

Dominick J. Coyle

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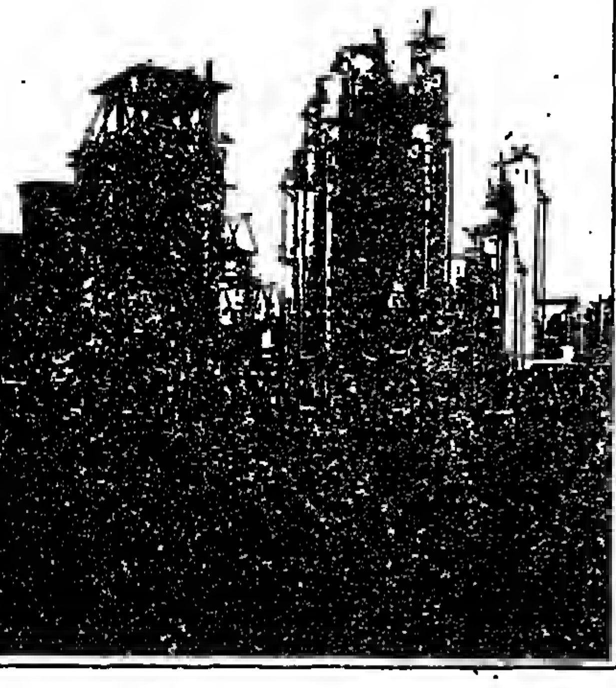

The long search—hardly concluded—for a new Government, continuing economic problems caused by the strong guilder and diminishing gas reserves, as well as a disturbing increase in terrorism—all have combined to make 1977 a year that many Dutchmen would prefer to forget.

The Netherlands

THE DUTCH are slowly waking up to the reality of a new Centre-Right coalition in office. May's general elections had still indicated strong electoral backing for a continuation of the outgoing Social Democrat-Christian Democratic pact. The public is still dazed by the development of the past six months in which the partners in the outgoing coalition were unable to agree on a new government. Domestic politics may always have been somewhat incomprehensible to foreign observers and few people in the Netherlands really understand the developments that led up to the formation of a new coalition of Christian Democrats and the large right-wing Liberal opposition party, the VVD. The current public disenchantment with politics and politicians has reached a record low.

The Government crisis started in March this year when the left of centre coalition fell apart over disagreements about Labour's land policy reform plans. The Labour Party, which is now outside the coalition, scored the biggest ever victory by any Dutch party in the May election.

The many months of negotiations took place against a background of economic difficulties, culminating in an unacceptably high level of unemployment (well over 5 per cent.). As a result, a number of much needed decisions have had to be postponed and the country has effectively been without government since March.

The talks between the Labour Party, the Christian Democrats and the small Democrats '66 finally collapsed over disagreements about the names of some of the ministers to enter the cabinet.

The "appointment mediator" then investigated the most likely alternative coalition between the Christian Democrats and the VVD liberals who have been in opposition in recent years. The policy outlines eventually agreed on did not differ substantially from what the outgoing partners had agreed on. Whether the new coalition can count on a long life in parliament looks doubtful — it only commands 77 of the 150 parliamentary seats, and the Christian Democrats count six "dissidents" among their ranks who would have preferred to have governed with the Socialists.

Whereas the main events of 1976 were the closing of the books on the Lockheed pay-offs affair, in which Queen Juliana's husband Prince Bernhard was involved, and the twin siege by militant young South Moluccans of a train and the Indonesian Consulate in Amsterdam, this year saw an increase in violence unknown in Dutch society up to now.

Stormed

There was again a twin siege—on a passenger train and this time also on an elementary school. This time, however, the siege did not come to a peaceful end, the train was stormed and several people including Moluccans, were killed. More recently, there were shoot-outs in three Dutch cities involving members of the German "Red Army," who had been directing their operations from the Netherlands. A policeman was killed and several wounded. The end of the year also saw the first kidnap of a Dutch businessman the property tycoon Mr. Maurits Caransa. The kidnap was purely for the money (Fls.10m. was given in ransom money), however.

A wave of arrests in the South Moluccan community in November for illegal possession of arms, and threats of action by the small groups of militants in the 30,000 strong community, suggest that the problems are by no means over. The militants want an unattainable goal, the establishment of a free South Moluccan republic off Indonesia and reject any Dutch Government efforts to assimilate them into the local communities.

This year has also seen an unexpected rise in tension between British and Dutch fishermen over the herring catch in the North Sea. For the time being at least, the matter has been solved within a European framework. Other European developments have scarcely drawn much attention in the Netherlands. The outgoing Socialist-dominated coalition was solidly committed to further European integration—only a small section of the Labour Party has expressed reservations—and the incoming Centre-Right cabinet is likely to be even more "pro-European."

On the economic side, this year has been remarkable in several respects. The country's balance of trade made an historical move from surplus into deficit, while discussion about the real value of the natural gas riches flared up again.

The decision by the outgoing cabinet to postpone the much needed investment to raise the level of spending has been harmful. The lack of measures to assist exports and the failure to reach agreement on a national level for the 1978 wage pact are symptomatic of the fact that the country has been run by a caretaker administration.

Unconfirmed allegations by the largest and most militant Dutch trade union, the industrial workers NVV Union, that the employers had made a secret "deal" with some Christian Democrat leaders — the employers would allow the wage talks to collapse to get a better deal under a more "friendly" cabinet in return for their support for such a cabinet — may be way off the mark. But they are indicative of increasingly strained labour relations in the Netherlands, a relatively new phenomenon.

The start of this year had already seen a wave of selective strikes in industry and the ports in support of the maintenance of full and automatic wage indexation, which was regarded as too expensive by employers. This issue among others also led to the breakdown of the national wage talks in November and the possibility that the controversy may lead to more strike action in the new year cannot be ruled out. By and large, however, Dutch union leaders have accepted the need for wage restraint to put the country back on its feet.

Dramatic

The chief economic concern remains the deterioration of the trade picture which is dramatic in view of the country's dependence on exports for prosperity. Forecasts for a balance of payments surplus have been reduced recently, to Fls.2bn. this year and to Fls.2.5bn. in 1978. The guilder's gradual depreciation — which resulted from the artificially strong balance of payments thanks to the vast income from natural gas sales — and escalating wage costs have squeezed Dutch companies seriously in the past few years. Not only are they finding it hard to compete in foreign markets, but they also see their domestic market position being eroded by foreign exporters. Many economists doubt whether the Netherlands will be able to take full advantage of any major new upturn in world trade. As for the wage development and inflation, some success has been noted recently. The growth of wages continues its downward trend and so do consumer prices.

Stimulated by the erosion of profits on the home market, by unpopular government measures, by the unions' far-reaching social reform demands, Dutch companies have greatly stepped up their investment abroad in the current year. At the same time, however, foreigners have begun to invest less in Holland. The Dutch are now said to be among the biggest foreign investors in the U.S., where the cheap dollar is a major attraction.

The view of leading economists and the monetary authorities—who back a strong guilder as it dampens inflation—is that the capital exports prevent the guilder from becoming too strong.

To illustrate the importance of natural gas to the Dutch economy, the Government's take of all net earnings soared [illegible].600m. in 1970 to [illegible] 1977. Within a [illegible] now, however, [illegible] should be coming [illegible]tially: gas sales will decrease and the energy import bill will rise. A natural gas conservation programme is now under way and part of the gas income is being used to restructure large sections of industry so that they can compete better in the future. In addition, gas import deals have been signed with Norway and Algeria, and soon may be with Nigeria, to stretch the Groningen reserves as much as possible, certainly to the end of this century, so that the change will not be too sudden.

The cost of Holland's super-welfare state is enormous, however, and much of it is financed by the gas revenues. Declining gas income could pose difficult problems for politicians of any colour in future. It is appreciated that of all forms of public spending, transfer payments will probably be most difficult to contain, let alone reverse when the gas fortunes run out. However, the build-up of massive overseas investment by Dutch corporations will provide a permanent source of foreign income in the years ahead to replace at least part of the declining gas export revenues. A further rise in taxation may not be necessary if the new Government sticks to its pledge of tackling more strongly the growth in public spending than the coalition it is replacing.

Michael van Os

Dutch Prime Minister Joop den Uyl voting in last April's general election. His party scored an election victory but attempts to form a coalition Government foundered. For the present Mr. den Uyl remains as caretaker Prime Minister.

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In spite of its small size, Luxembourg has managed to maintain a balance of payments surplus—thanks in large part to its banking industry and helped along by its historically stable political climate

Luxembourg

LUXEMBOURG HAS—as few people know but most rightly assume — a long tradition of political stability. Perforce polyglot (including a distinctive dialect of their own), Luxembourgers are mercifully free of the linguistic tensions that mar Belgian political life. Political battles or at least those that rise above the "parish pump." level, are generally waged in a low key. But that does not of itself shelter the Government of the day from the buffeting of external winds, which blow all the harder given the tiny size of the Grand Duchy.

When the Government of Prime Minister Gaston Thorn—a coalition of the Socialist and Democrat parties—broke the 50-year monopoly of power by the Christian Social Party in the election of May, 1974, they could hardly have chosen a less rewarding moment to do so—the onslaught of the depression generalised throughout the industrialised world. Although Mr. Thorn's government has struggled manfully and often ingeniously with the Grand Duchy's economic problems, there are signs—from recent local elections—that the Christian Social Party, which with 18 seats is still the largest single bloc in the Chamber of Deputies, may return to power at the next general election, due in 1979. Of course, by that time, there may be a pick-up in the world and European economy: but that will depend on Luxembourg's bigger neighbours, until then the Duchy is having to make shift as best it can.

In a good year—1974 was the last—steel accounts for nearly a quarter of the country's gross domestic production, and this is the sector that has been hardest hit by the recession. Since the slight upturn in spring 1976, steel production in the Duchy has declined: In the first six months of this year it was 8 per cent. down on the same period last year.

Without the cushion of a proper home market to fall back on, Luxembourg steel has been hard hit by protectionism even within the Common Market—that in turn is the result of stagnant demand, over-capacity, Japanese and other non-European competition. Even more than Belgium, Luxembourg has never been able or willing to get the sort of long-term steel contracts from steel users that help producers weather a steel depression. In this situation, the Luxembourg State was caught with the threat of massive lay-offs in its major manufacturing industry and without any proper benefit scheme for the unemployed (though the beginnings of one are now in force). The fact that unemployment in the Duchy is still less than 1 per cent. of the total workforce is the result of two things. First, the State undertook to put steel workers without a job on to public works. Between September, 1975, and the end of 1976 some 12,500 steel workers were paid for such things as banking up the Moselle River, installing telephones, and improving facilities for cyclists. This has now ended—the Government having realised that given the probable duration of the present steel crisis it could not undertake so open ended a commitment. It is now up to the steel companies to provide for themselves, and that basically means Arbed, which accounts for 90 per cent. of the Duchy's steel.

Despite the initial impression given by its grandiose *fin de siecle* headquarters in the middle of Luxembourg City, Arbed is now up against the wall. Its future strategy is two-fold: first, to diversify into downstream steel activities like mechanical engineering—it has now commissioned some American consultants to search for possible U.S. and Japanese part-

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Like Britain, Belgium is currently aiming at a devolution plan—but with the added stress that on it rests the future of the coalition Government. Like Britain, too, the country is under pressure from some quarters to reflate, given the improved balance of payments position.

Belgium

THE ROTATING presidency of the EEC Council of Ministers gives the smaller member States the occasional chance to play a larger role on the international scene. Despite the peregrinations of the Foreign Minister, M. Henri Simonet, speaking in a multitude of far off places as "President in Council," Belgium, with only a month of its presidency to run, has not set a very distinctive stamp on its tenure of the EEC chair. To many, that has been a relief after the controversial British presidency in the first half of the year. And to Prime Minister Leeo Tindemans this impression has mattered little. Probably the most European-minded of his fellow Premiers, he has been content to revive (rather than innovate) certain basic concepts of the European federalist camp. The Belgian hope is that some agreement can be reached by the end of the year on their proposals to improve short-term economic and monetary co-operation within the EEC; while behind Mr. Roy Jenkins' attempt to relaunch the debate on the long-term goal of economic and monetary union should be seen the active approval that the Belgian presidency has given the President of the Commission in taking this initiative.

Nevertheless, Mr. Tindemans has had another level of federalism—the attempt to create a federal Belgium out of the linguistic and communal differences—to preoccupy him. After his general election victory in April, he took a long time (47 days) to put together a coalition. On paper at least the coalition looks impressive—taking in Mr. Tindeman's own Social Christian Party, the Socialists (the second biggest party), and including for the first time in any Government two of Belgium's linguistic parties, the Brussels-based French-speaking FDF Party and the Flemish nationalist party, the Volusunie.

Reforms

But the whole *raison d'etre* of the coalition is their agreement on a devolution or regional reform plan to turn Belgium into a federal state of three regions (Flanders, French-speaking Wallonia and the capital of Brussels) and two communities (French and Dutch speaking). If this plan collapses, so will the coalition. The regionalisation plan — which builds on reforms of the early 1970s that gave the Walloons and the *Flemish* a certain amount of cultural autonomy—is far reaching. It will devolve political and economic powers to directly elected regional parliaments, give the upper house of the national legislature (the Senate) a regional make-up, create a supreme court to settle inevitable jurisdictional disputes and so on. The hope is to get a draft law ready before Christmas, so that Belgium's great devolution debate can start next spring. Because the plan entails constitutional revisions which can only be enacted by a successor parliament to the present one, and given the *four year maximum life* of a Belgian parliament, the coalition partners have—or at least they have said that they have—agreed to fight the next election on this common platform, and if necessary stick together for the eight years that it might take to pass and implement the reforms.

It is indeed an ambitious aim. But already there are signs of strain within the coalition, strains which will inevitably get worse as the public and parliamentary debate gets under way. The trouble centres on the compromise for Brussels—the string that holds the whole package together. Brussels is set in Flanders, and the Flemish have long hated the inexorable way in which the francophone majority of Brussels has spread out into the Flemish suburbs and countryside—a process, it should be pointed out, accelerated by the influx into the Brussels area of foreigners who learn French but have no intention of trying their hand at Dutch. So the new agreement sets the limits of Brussels where they now are. But in return the Flemish lose their formal, equal status with French in the capital and French speakers are to be given a wide range of facilities outside the city's limits.

All three Flemish parties—the Flemish wings of the Social Christians, the Socialists and the Volksunie — are finding it hard to explain to their co-linguists that the concessions made over Brussels are not all Flemish ones. But it is the Volksunie that is most vulnerable to the charge that it has sold out to francophone interests. The Flemish nationalist party's leader, Mr. Hugo Schiltz, so far reckons that he can contain the opposition to the Brussels compromise. But the strong cultural movements which have a loud voice in Flanders are gunning for him, and already one Volksunie senator has split off from the rest of the party.

In these circumstances, recent speeches by FDF leaders to the effect that they do not see the Brussels compromise as final, and hinting that they will want further concessions in the future, have not helped the cause of matrimonial harmony in the Tindemans' coalition. Much will depend on Mr. Tindemans using his considerable influence to keep his unruly wards in check, but the task of guiding the regional reform plan through the Belgian parliament next year may yet make Mr. Michael Foot's job with the Scotland and Wales devolution bills look relatively easy.

The other problem facing the Government — the sombre state of the economy — has set up strains in a different direction, between the Social Christians and the Socialists. One recent incident illustrates the tensions. Last month the Socialist Labour Minister, M. Guy Spitaels, publicly complained that wages rises this year which have been lower than in *last year's period* of statutory wage restraint were having the effect of reducing purchasing power and in turn private consumption and demand. M. Spitaels was scorned by his Social Christian colleagues, commentators and employers — who showed that the minister's own figures of wage rises for white collar workers this year of 6 per cent. (against 6.9 per cent. last year) and 7.1 per cent. (7.9 per cent. last year) for blue collar workers concealed a rise in purchasing power because of falling inflation. But M. Spitaels' complaints showed the worry of the *Socialists* at *being in government* when unemployment has risen to some 273,000 or 6.8 per cent. of the active population. If it continues up towards the 300,000 mark, it is hard to see how the Socialists can rest comfortably in the coalition.

Alarm

Not that Mr. Tindemans and his dominant Social Christian Party have pursued overtly deflationary policies. He has expressed alarm at the increase in the number of jobless, and at *the slow growth* in industrial production (which for the first seven months of this year was only 2.1 per cent. up on the same period of 1976). In addition, the Government has recently come under some pressure from its EEC partners to reflate because of the relative health of the Belgian economy on two grounds. First, the overall balance of payments is in the black; between January and July, 1977 it showed a B.Frs.6.1bn. surplus compared with a B.Frs.12bn. deficit in the same period the year before. Second, inflation is coming down: the annual increase between October, 1976 and October, 1977 was 6.5 per cent.

But the Government—and for that matter the Belgian national bank — feel that this gives a margin for reflation only to the extent that the parity of the Belgian franc inside the "snake" joint currency float stays unchanged against the leader of the pack, the D-mark. The Belgian authorities attach great importance to a strong franc for its own sake—a defence against imported inflation — and also to commercial and "disciplinary" value of hanging on to the D-mark. In the first half of 1977 the central bank discount rate came steadily down from 9 to 6 per cent.—a relaxation that ironically had little effect in stimulating investment and demand. But last month (November) for the first time in a year the franc came under pressure against the D-mark. The national bank has ample means to defend it, with a near record B.Frs.105bn. worth of foreign exchange reserves, and again showed that it was prepared to use this means. But it now seems likely that, after the recent flurry on the foreign exchange markets, the discount rate and other interest rates will not come down any more, and indeed may rise in the new year.

The Government's draft budget for 1978 reflected the *disparate* make-up of the ruling coalition itself, though on balance it is reflationary. Based on the assumptions of slightly higher growth (3 per cent. in real GDP) and slightly higher prices (8 per cent.) next year, it balanced a promise to curb the rise in public borrowing and *higher* VAT taxes on private consumption with the intention of abolishing the much disliked and hardly justifiable 5 per cent. VAT on new job creating investments, with a planned increase in public investment of 11 per cent. and a special programme to reduce *the number of jobless next year* by an average 70,000. Whether this alone will provide the stimulus that the economy needs is doubtful. Probably more depends on the policies adopted by Belgium's bigger neighbours.

Two industrial sectors concern *the* Government particularly. The first and most obvious one is steel, which plays a more important role in Belgium than in any of its EEC partners except Luxembourg. The general problems affecting European steel—Japanese and third country competition, low productivity, stagnant demand, outmoded plant—are well known. The particular problem for Belgium steel is that it is *export orientated*—to the extent of 80 per cent. of all production—and is therefore more vulnerable in a depression. To this must be added a particularly Belgian inability, or unwillingness, to sign up long contracts with steel users—which is fine in booms but hurts hard in bad times. The future shape of Belgian steel should become clearer when the report that the Government has commissioned from McKinsey, the American consultants, appears at the end of the year. In the meantime the industry is surviving on massive amounts of Government-subsidised credit (B.Frs.8bn. this year alone).

Subsidies

The Belgian textile and clothing industries lost some 33,000 employees or 22 per cent. of their workforce between 1970 and 1976, and the decline is continuing, although certain sectors like the carpet manufacturers are doing all right. Controlling textile imports is an EEC responsibility, but under the umbrella of protection that the EEC Commission *is* trying to provide for the industry, the Belgian Government has developed a plan of its own. Designed to come into force next year, it provides for increased subsidies to the textile sector and the introduction of imports licences to be mostly (80 per cent.) reserved for Belgian producers. This novel idea is that if some cheap imports must come in and profits are to be made on them, these should be reserved for the hard pressed producers and not go to the big retail chains and import dealers. Both steel and textiles are considerable problems for Belgium, and it is small wonder that the government has been using its current influence as president of the EEC Council to try to get proper European policies developed on both.

David Buchan

Luxembourg

CONTINUED FROM PREVIOUS PAGE

...ers in *engineering* joint ventures in Luxembourg—a line that the Arbed group's several foreign subsidiaries are pursuing abroad. Second, and it is this that makes its reaction to the steel crisis virtually unique, it is redoubling its investment effort to try to assure its future competitivity in basic steelmaking.

It has increased its investment inside the Duchy this year to Frs.5bn. from half that in 1976. This is quite literally a game of "double or quits," because, although Arbed was a rich company before the steel crisis began, it is doubtful whether — despite its now regular borrowings on the Luxembourg domestic capital market—it can keep this up for much longer if there is no quick pick-up in the steel market. Losses for the first half of this year totalled Frs.2.1bn. (£34bn.) compared with Frs.1.04bn. in the whole of last year, and Arbed officials are not ruling out that total losses for 1977 would approach the Frs.3bn. loss recorded in 1975.

Arbed's president recently warned that *steel* companies must not become "national employment agencies" and pointedly added that his company, the Duchy's biggest single employer, intends to reduce its Luxembourg payroll by 4,000 down to 17,000 workers in the next two years, partly by lowering the compulsory retiring age to 57. Layoffs are also inevitable in the Duchy's second largest steel producer, Rodange-Athus, which straddles the Belgo-Luxembourg border and which, to the consternation of both Governments, announced itself broke this summer. At the instigation of the EEC Steel Commisisoner Viscount Etienne Davignon, studies are going on on both sides of the border to see if the company cannot be split in two, with Athus in Belgium coming again under the wing of the Belgian steel giant, Cockerill, and the Luxembourg plant of Rodange coming under Arbed. But even on the most optimistic assumptions, at least 700 redundancies are inevitable at Rodange, and still more at Athus.

Landlocked Luxembourg luckily has no shipyards clamouring for State aid: but it does have a branch of Europe's third "crisis industry"—textiles—in the *shape* of a large Monsanto plant, which has just laid off some 250 workers mainly because of competition *from* low cost Far East imports.

Opening the November budget debate, M. Thorn said gloomily that despite EEC Commission estimates of 2-3 per cent. growth in GDP for Luxembourg this year, the Duchy would be lucky to reach 2 per cent. The Government appears unwilling to undertake any major reflation effort just now, given its assumption that, for reasons outside its control, the present economic doldrums may last for some time yet. M. Thorn pointed out that State spending in 1978 will only rise by 8.8 per cent., the smallest such rise since 1972. There is likely to be a small budget deficit next year —but some observers feel that the Government is being slightly too cautious and that it could reflate a bit more, for two reasons.

Inflation

First, inflation is now down to an annual rate of 5.4 per cent. (October 1976-1977). Second, the balance of payments is still in the black, thanks very *largely* to the banking sector, attracted to Luxembourg by the burgeoning Euromarket business there. The serried ranks of banks down Luxembourg City's Boulevard Royal now provide in taxes 10 per cent. of current State receipts and employ 4 per cent. of the workforce. Indeed last year, much to the surprise of Government officials, the State ended up with a Frs.900m. surplus—because bigger state spending on public works and unemployment benefits were outweighed by an unforeseen extra Frs.2bn. in taxes on banking operations. Lack of a central bank and any consequent tiresome necessity to place *minimum* reserve with such a body is a great incentive for banks to come to Luxembourg, and although the Commission *Bancaire* — which discreetly supervises banks in the Duchy —is trying to tighten up some of its controls, there is no intention of killing off so golden a goose.

The Government, however, has allowed a rapid rise in consumer credit in the past year, and there are no signs that this is going to be reversed. More important, a Societe Nationale de Credit et d'Investissement has been set up. An idea originally pushed by the unions in the early 1960s, the SNCI is to have three roles—State holding company for public participation in companies, a provider of investment credit and a guarantor of export credit. Though criticised by left and right—variously as a "trojan horse" for nationalisation and as a means for featherbedding big *business*—the SNCI is nevertheless regarded by the Government as essential to put the Duchy on some kind of an equal footing with its neighbours.

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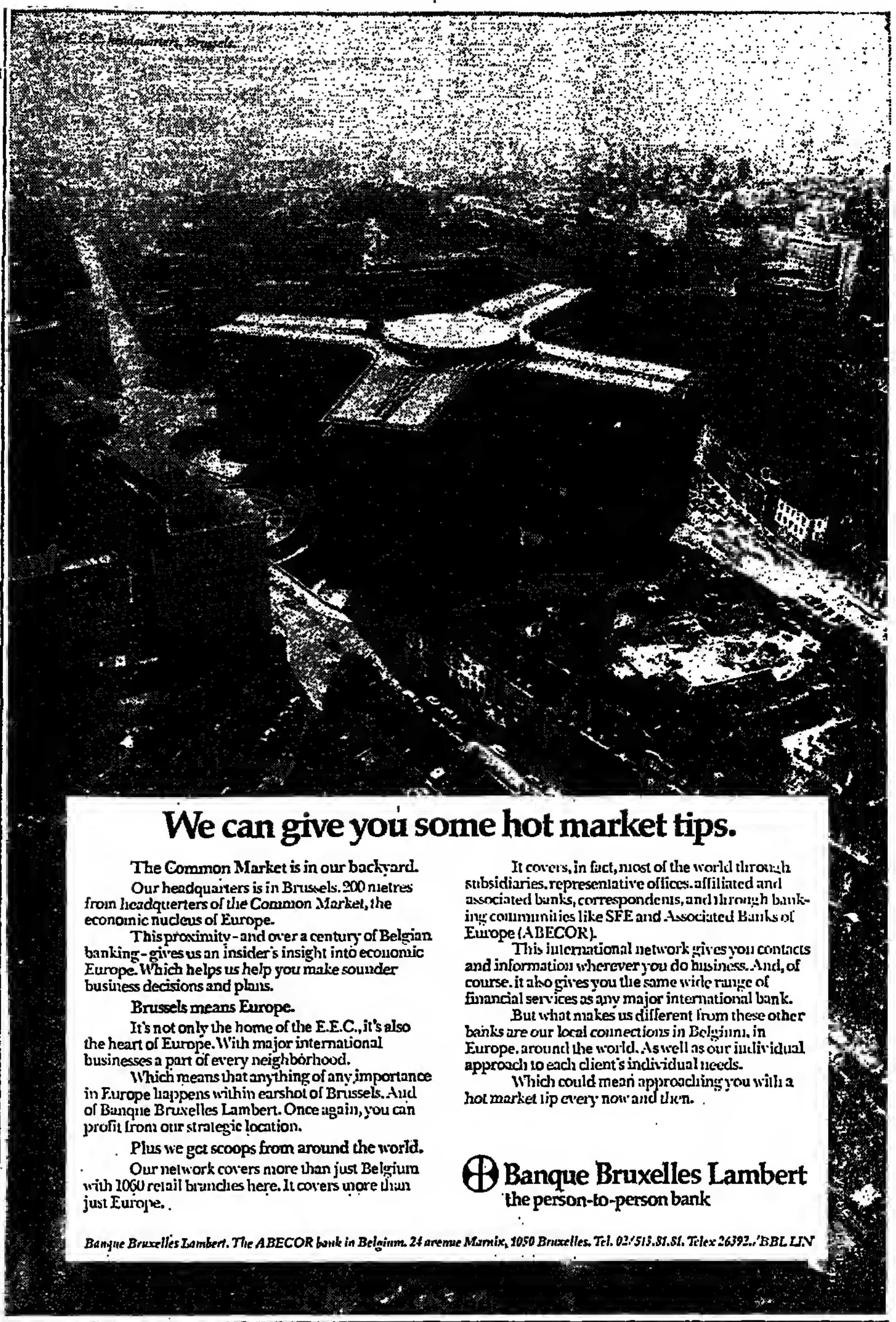

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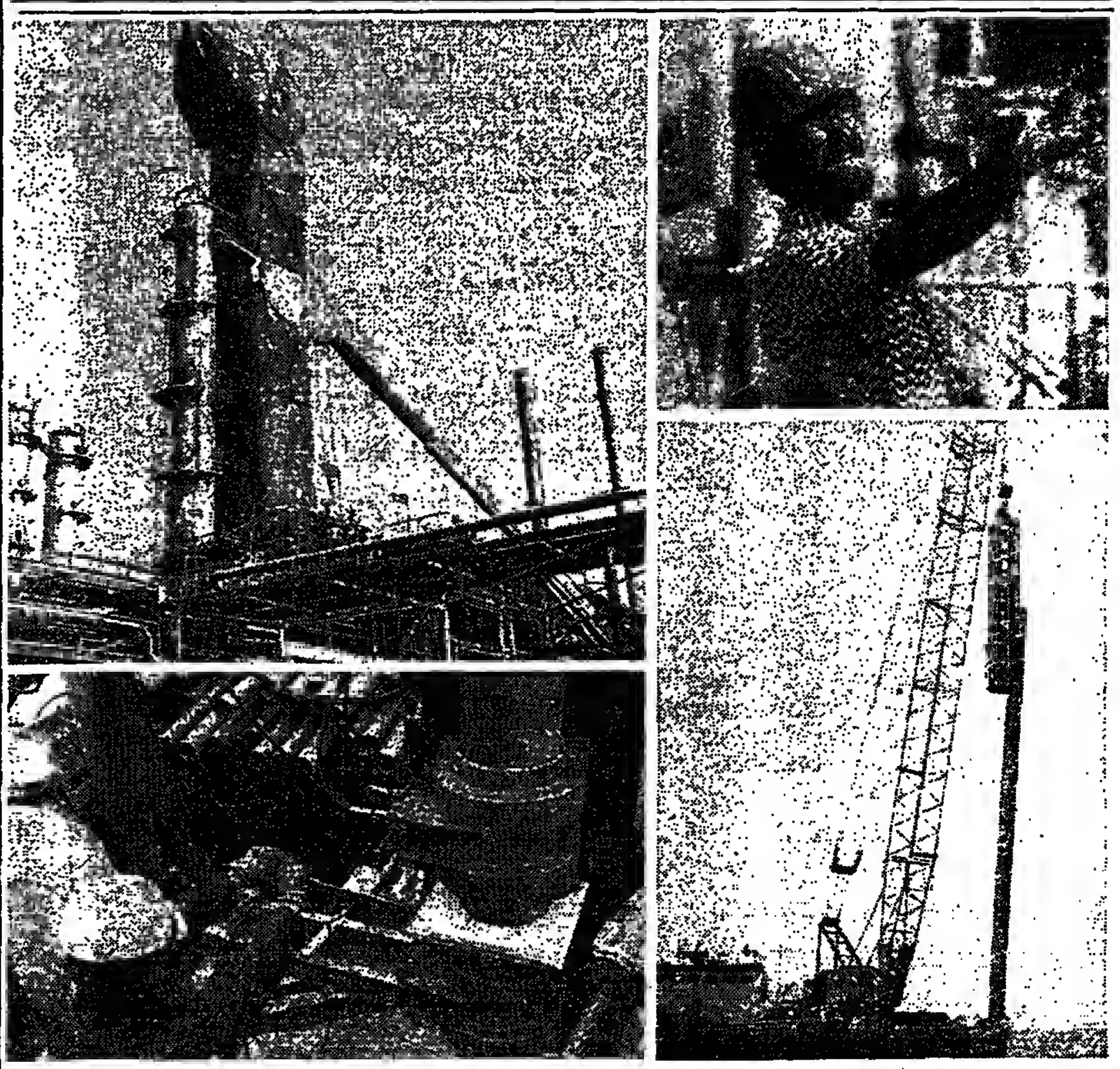

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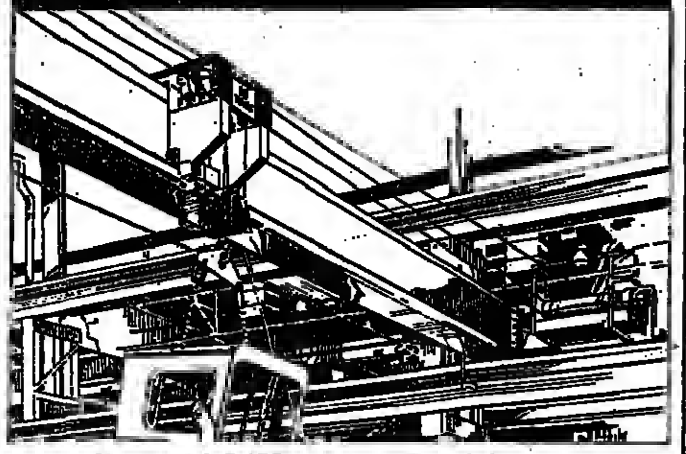

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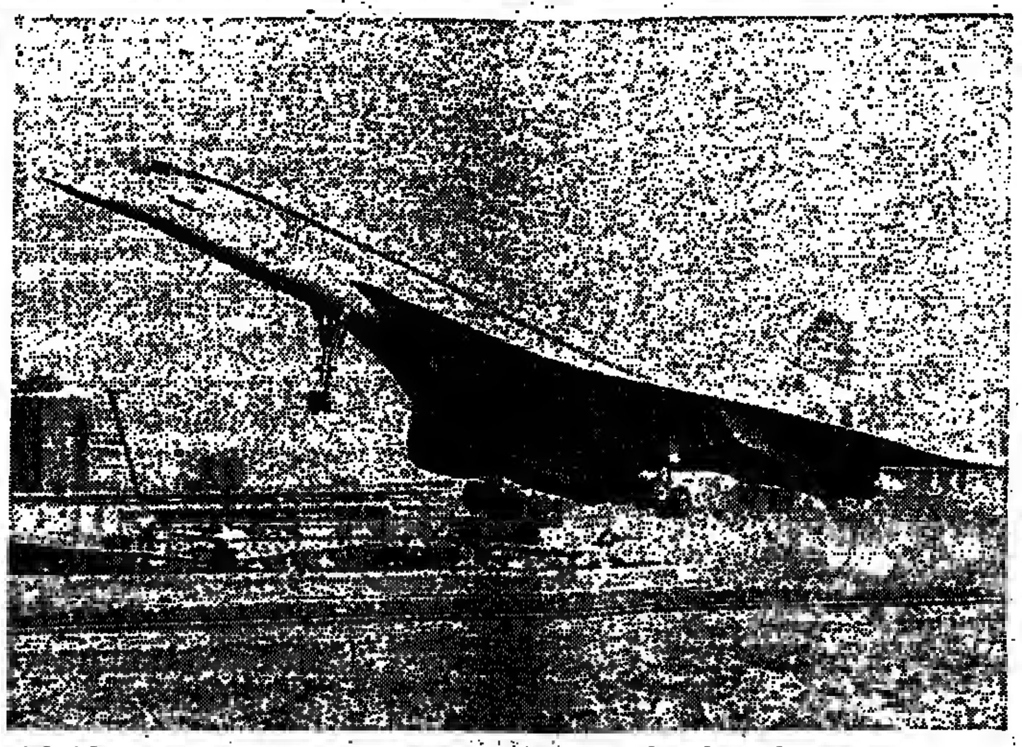

A battle won (at least for the time being): Concorde takes off on its inaugural commercial flight to New York.

A battle raging: The firemen's strike is entering its fourth week and no solution is yet in sight.

The U.K.

Delve below the surface of Britain and conditions do not appear to be nearly as bad as they are sometimes painted—indeed, some very significant changes are taking place, albeit gradually.

PASSING THROUGH Woking station the other day, for the first time for several years, I was surprised to find the station announcements—about changing to the bus for Heathrow — repeated in French. It was a small thing in itself, and perhaps the cynical would say that it merely reflects the increasing British dependence on tourism — though how many French-speaking tourists there can be moving from Aldershot to Woking in late November must be open to question. The point is that, only a few years ago, such a thing would never have happened. Indeed, there was probably no bus connection between Woking and Heathrow, and even if there had been, no one would have thought to announce it, even in English.

Similar changes have taken place all over Britain. The centre of Newcastle upon Tyne, for example, has altered almost beyond recognition—though not everyone would say for the better. In many ways it has become indistinguishable from city centres in France or West Germany. There are the same fashionable precincts and multi-storey car parks. The affluence is perhaps a little less, but so are the prices in the shops.

The roads, too, have improved, and not only between cities. Glasgow now has one of the best urban road systems in Britain, and perhaps in Europe, though at the same time one of the lowest car ownership ratios per head of population. Again, the priorities might be wrong but one cannot deny that things have changed. A decade or so ago, people used to cross the Clyde by ferry. To-day, they take the tunnel for granted.

It is this very obvious and visible change which is hard to reconcile with the picture of Britain as a stagnant and conservative society. If one asks the people of Glasgow or Newcastle about the extent of change, they are as likely to reply there has been too much rather than too little. They might very well add that it has been change of the wrong kind, but what they will not accept is that Britain has somehow been asleep, or at least idling, for the past 20 years while the rest of Europe has forged ahead.

It is true that there is some evidence of a feeling of inferiority. There is a certain unease that if the pound is hit for six again, or even if there is another major strike at British Leyland, the country may be in difficulties. But it is not felt deeply. It seems to reflect an obligatory bow to what commentators say the people of Britain ought to think rather than any inner conviction. The reality is different: it is a process, admittedly by ups and downs and stops and goes, of generally becoming better off, and the increase in the social wage is counted by the majority as an improvement. There is no evidence that I have found of any widespread deep discontent.

One may call such a view complacent. I think that it probably is. The British standard of living has improved over the years only by past British standards. In most of Western Europe it was first overtaken and then steadily left behind. Britain became relatively, but only relatively, more affluent. But if the bulk of the British people are not greatly dissatisfied, one cannot blame the bulk of British politicians for not behaving as if they were. After all, they have a general election to fight on the same old issues as prices and jobs. It is not going to help their cause to argue that things are better elsewhere, if the British electorate plainly believes that they are not; nor to argue that the pace of change should be further accelerated, if the general view is that it is already too fast.

Background

It is against that background that one should read the British headlines, and also the foreign headlines about Britain. Last summer the economic, or at least the financial, situation appeared to have improved dramatically, and certainly there was a major turnround from the previous autumn when the pound had approached 1.50 to the dollar and the Bank of England had virtually run out of reserves to defend the rate. There were very substantial falls in interest rates, in mortgage rates and in the rate of inflation, particularly as projected forwards.

A few weeks later, all this was reflected in the opinion polls. The Labour Government came back from a position of almost nowhere to one of near-parity with the Conservative opposition. Perhaps out of frustration, the Conservative leader, Mrs. Thatcher, recommended to the Government the slogan: "You know IMF Government works." The view also spread along lines that will be familiar to those who follow Chancellor Schmidt in West Germany, that Mr. Callaghan is the best conservative Prime Minister we have.

A few weeks later again, however, the pound was reluctantly allowed to float because of the inflationary pressure of foreign currency inflows. It rose quite sharply on the first day or so, but then fell back, partly because of the suspicion that the damage to the money supply had already been done, and partly because of industrial action, whether real or threatened, against the Government's incomes policy. Correspondingly or not, Labour also fell back slightly in some opinion polls.

Out of the events of those last few months, it would be very difficult to argue effectively that anything fundamental has changed either in British politics or in the British economy. Indeed, the general train of events is all too familiar. At the time of writing, the incomes policy test is with the firemen. In the past, it has been with the nurses, the power workers, the seamen or the miners, and may be again. But in which other countries, one wonders, does the credibility of the Government's economic policies lie so much with the outcome of wage negotiations with one set of workers? And in which other countries do wage disputes need to be referred so frequently to the head of government for mediation?

The one major departure from the past could be North Sea oil, which from the second half of this year accounts for nearly 50 per cent. of British consumption. In the early 1980s it is estimated to produce a balance of payments benefit equivalent of about 5 per cent. of GNP. In other words, for a good many years to come there should no longer be a balance of payments problem.

It is striking, however, that the Government still has not decided what to do with oil revenues, and that the country as a whole is still rather surprised by the idea of having [illegible] nil at all. The thought that nothing good will come of it is not uncommon. The Government finds it difficult to apportion the amount to be given back to the public in the form of tax cuts or increased public spending, and that to [illegible] channelled into productive investment, if only it knew how to do it. The net result could still be inflationary, and it would be rash to assume that oil will provide the foundation for a British economic miracle, even if the British people wanted any such thing.

Change

It is also possible that Britain is entering a period of constitutional change. Certainly the Scotland and Wales Bills and that for direct elections to the European Parliament seem to open up new possibilities, even if some of the more controversial ideas such as proportional representation fail to be implemented. Again, however, it would be wrong to imagine that the Bills are being debated with any great air of excitement or—except among minorities—any great awareness of where they might lead. It would be equally wrong to conclude that the British people are particularly unheppy about this state of affairs. Over the years the country does change: it is just that the pace seems slow by non-British standards.

Malcolm Rutherford

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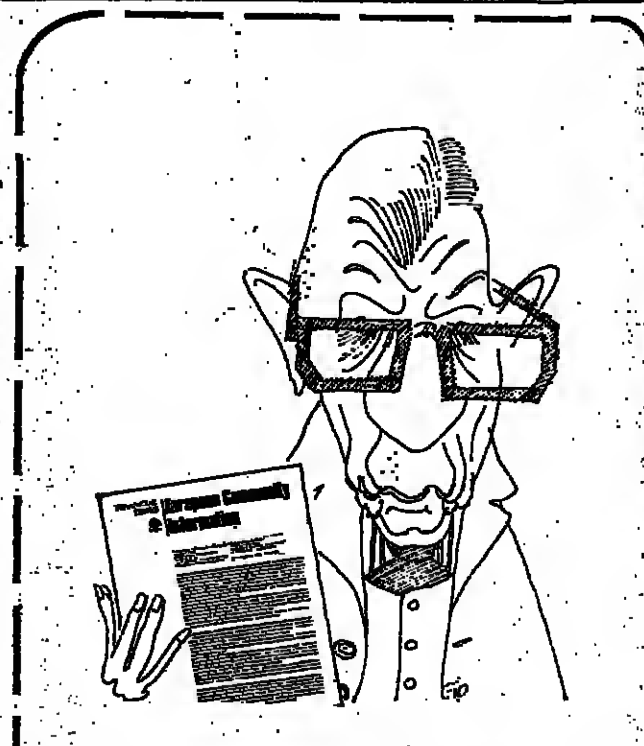

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Last February's general election seems to have settled Denmark down politically, leaving the Government free to tackle the country's economic problems, which are at the stage where they seem likely to get worse before they get better.

Denmark

DENMARK'S RECENT election, the third in just over three years, strengthened the Social Democrats without producing any basic change in the parliamentary balance. New elections look so pointless that there is a feeling that Prime Minister Anker Joergensen's Social Democratic minority Government has a good chance of lasting longer than any of the three previous governments, although, as it remains dependent for survival on the votes of the parties of the right and centre, its longevity is necessarily unpredictable.

Parliamentary instability, however, should not be confused with a more fundamental political lack of stability, which the country has so far avoided. The views of the Government and the opposition parties are not identical, but they are not far apart, and the parliamentry situation (there are 11 parties in the current parliament) compels both the Government and the parties which support it to seek a consensus. Extremism has no hold on the Danes, either politically or in the labour market.

But if the talent for consensus politics has many advantages, it has failed to avert the emergence of serious economic problems or to enable governments to solve them. The problems have not changed for a decade, but since the oil crisis of 1973 they have become more intractable—the problems of the current balance of payments deficit, a growing foreign debt, inflation, and, since 1974, rising unemployment.

Priority

Currently the Government is giving priority to bringing the external deficit under control, while at the same time trying to mitigate inflation and being forced by circumstances to tolerate unemployment, which for this year will average about 7 per cent.

Externally the Government has sought to stabilise the value of the krone by membership of the European currency snake. Importance is attached to snake membership as an expression of Denmark's community-minded policy. Economically it has averted a significant depreciation of the krone and the danger of an inflationary spiral which, it is feared, devaluation would cause. The support of the West German Central Bank enables Denmark to ride out speculative attacks on the currency.

At home incomes policy is combined with demand restraint in an effort to improve the competitive position of export and import-competing industries and to reduce the current balance of payments deficit. At the same time, the growth of housing investment and the public sector, singled out as the main causes of the pre-oil crisis current balance of payments deficits, have been brought under control, but without achieving the intended diversion of resources into the export sector.

The growth of the real gross national product this year will probably be limited to about 1 per cent. after a 5 per cent. growth rate in 1976 (brought about largely by a tax-cut stimulus to private consumption and business investment). The expansion last year brought with it a record current balance of payments deficit of Kr.11.5bn. or about 4½ per cent. of gross domestic product. This year private consumption is showing no increase and the only factors contributing positively to growth are exports, which will probably show an increase of about 4 per cent., and the public sector, about 4 per cent. Most forecasts expect a similar demand pattern next year with an equally disappointing growth performance.

Unemployment has risen to about 7½ per cent. this autumn and for the year will average about 7 per cent., compared with just under 6 per cent. in 1976. A further sharp rise in unemployment is expected in the winter months, and the average unemployment level next year will probably rise to about 8 per cent.

In its August economic policy measures the Government tried to dampen domestic demand in order to improve the current balance of payments deficit without at the same time pushing up unemployment. The measures included a tough new round of indirect tax increases, with an increase in the value added tax from 15 to 18 per cent. from the beginning of October, but the tax increases were counterbalanced by spending on energy saving, measures to promote business investment and increases in public investment projects. This should switch demand from import-heavy private consumption to spending which does not involve a heavy import burden. The total impact will be a relatively modest decline in domestic demand next year of the order of 1 per cent. of the gross domestic product, but there will be no increase and perhaps a slight fall in private consumption.

The incomes policy appears at the moment to be having some success. The Government told the unions and the employers that in this year's collective bargaining they had to settle within guidelines of 6 per cent. a year. When the two sides failed to agree, the Government enacted the official mediator's draft agreement into law. It included big increases for the lowest paid—and fixed the world's highest minimum wage of Kr.29 an hour—and thus caused economists to fear wage drift as differentials were restored. But to date the wage drift does not seem to have emerged and although wage costs this year are running at about 10 per cent. over the level of last year, the yearly increase in wage costs in the period of the two-year collective wage agreement should be about 7 per cent., according to management estimates in some of the country's leading companies.

While wage increases are now moderate, consumer prices are still increasing rapidly. The rise in consumer prices in the 12 months to the end of this year will probably be about 12½ per cent., with some 2 per cent. arising from increases in indirect taxes. This compares with an increase of 9.8 per cent. in consumer prices in 1976. Most forecasts agree that consumer prices will continue to rise faster than incomes next year as well, with prices rising by about 9 or 10 per cent. in 1978.

Fallen

The current balance of payments deficit has fallen from its record Kr.11.5bn. last year to about Kr.9.5bn. this year, and a further moderate decline to around Kr.6.5bn. is expected by the Government next year, but the current external deficit problem is in danger of being overshadowed by the foreign debt problem.

Between 1960 and 1973 the current balance of payments deficit averaged about 2 per cent. of GDP a year. Since 1973 it has averaged about 3 per cent. This year debt servicing by the public sector alone will amount to over 1½ per cent. of GDP at around Kr.4bn., rising to well over Kr.7bn. by 1981. The private sector's net foreign debt is of about the same size as the public sector's, so that total debt servicing is roughly twice as high as these figures indicate.

The Government's domestic borrowing requirements are another subject of preoccupation. It goes a long way towards explaining why Denmark has the highest interest rate structure in Europe, with effective rates on long term bonds about 16½ per cent. The central Government borrowing requirement in the current fiscal year—ending March 31—will be about Kr.20.7bn. and in the following year about Kr.33.2bn. or rising from about 7 per cent. of GDP to over 10 per cent.

Beset as it is by economic problems Denmark has nevertheless resolutely refused to seek short-term soft options in solving them. Selective economic policies have been used with moderation and industrial subsidies avoided almost entirely. The burden of the recession has been placed not on the corporate sector but on the labour force through unemployment, though unemployment benefits are generous.

Business complains that costs are far too high and the economic policy in general has tilted too far towards the provision of ever-improving public services while paying too little attention to expanding the production sectors. But at the same time the corporate sector has retained its flexibility and it has been able to adjust to life with recession. The mobility of the labour force has also been maintained by not resorting to wage subsidies to encourage companies to hold on to redundant labour.

There is a growing body of opinion in the unions and on the Left of the political spectrum who think that this reliance on the market mechanism is naive when so many other countries are embarking on industrial subsidies of one kind and another, but the businessman who hears that his competitors abroad are being subsidised is usually convinced that Danish Industry possesses a resilience that his competitors are in acute danger of losing. Time will tell.

Hilary Barnes
Copenhagen Correspondent

A fine row of Danish pigs munching their way towards the breakfast table.

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FASTEST GROWING INDUSTRIAL LOCATION IN THE E.E.C.

Spaniards are enjoying emerging into democracy, but do not seem quite clear yet on how to handle their new-found freedom. However, the direction they will take should become clear in next year's municipal elections.

Spain

MOST Europeans such ...ngs as parliamentary elec...ns, freedom of speech or ...ustrial strife are as familiar ... unexceptional as bookstalls ...cked with pornography. But ... Spaniards they are new ...enomena, the curious and ...netimes perplexing attri...tes of an unfamiliar political ...stem—democracy.

Just bow unfamiliar it is often ... too easy for the outsider to ...nderstimate. The Press bas ...en free for little over a year ...d even now suffers from in...ained babits of self-censor...ip. Strikes were only legal...ed laal March, trade unions ... April; and neither manage...ent nor labour has the ...easure of their force or ...rganisation. As for the elec...ons held last June, these took ...lace before a constitution was ...rmulated, and Parliament is ...ill ao untried quantity with ...litical debate and the main ...ecisioos taking place at the ...re exclusive level of party ...ders.

Two years afler the deatb of ...neral Franco and the ending ... almost 40 years of Fascist ...tatorship, Spain is still very ...ch in a etate of transition. ...aniards for the most part ...ve relegated Franco to the ...tory books. On November 10 ...t when some 200,000 Franco ...pporters gathered in the pour... rain in Madrid to com...morate the second anni...rsary of his death there ...peared to be a genuine ...crance that the late dictator's ...npathisers should demon...ate—a tolerance based on the ...lief that Francoism had been ...ertaken by events.

Psychologically, Spaniards ...re geared for a change after ...anco's death. This change ...s probably made more accept...le by the protracted nature of ...e latter days of his regime. ...ychological preparedness for ...ange, rather than the release ... a whole series of pent-up ...strations and suppressed ...es, has been a major factor ... the smoothness of the transi...n and the speed with which ...ain has moved down the road ...wards liberalisation.

Spain has undoubtedly sur...ised the international com...unity with the orderliness of ...e transition. Violence, from ...heir extreme Right or extreme ...ft, has been limited. Mean...ile, the armed forces, the ...ardians of Franco's Spain in ...irit at least, have grumbled ...er legalisation of the Com...unist Party and clearly do not ...ke a lot of what a democratic ...ain might be, but they have ...t sought to interfere with the ...liticians or go against the ...ood of the country which gave ... Right a crushing defeat in ...e June elections.

Perhaps the maturity of such ... smooth switch from dictator...ip to liberalisation is appreciated more outside Spain than inside, where viewe are still somewbat blinkered, not to say confused. The Western world, and Europa in particular, wants Spain to be democratic, bas a fairly well defined view of what democracy ehould mean fnr Spain, and is enthusiastic when it sees the country moving towards this goal. The Spaniards on tbe other hand are not yet *fully clear* what democracy means or wbat form democracy *should take in Spain.*

Should the King be a mere figurebead or should be be able to exert bis authority through decreea and the power of appointment? Should tbe monarchy disappear and Spain return to republicanism? Sbould the monarchy be bereditary or sbould its continned existence be circumscribed to allow republican sentiments to dispense witb it? What powers sbould the Prime Minister enjoy? How strong abould Parliament be? To wbal extent should the regions allowed to be autonomous?

In some instances these questions bave been answered or resolved by circumstance, albeit on a temporary basis. King Juan Carlos has effectively silenced the critics of monarchy for the moment by bighly skilful handling of events, stepping in to fill the vacuum of authority yet making it clear througb consultation with all shades of political opinion that this is temporary and that he depends upon the will of the political parties as to bow they frame the constitution.

The King's performance ahould not be underrated, because if he had misplayed his hand latent republican sentiment would undoubtedly have been fostered, so adding a further complication to the political process. As it is he haa been able *to get away with selecting*, on his own initiative, the Prime Minister, Sr. Adolfo Suarez — a choice now contested by only some of the more jealoua among the loose political grouping of Sr Suarez' UCD Party.

More concretely, the seven-man inter-party constitutional committee is proposing to ahape the constitution round the monarchy as the guarantor of political rights and regional autonomy. Tbe framers of the constitution are now referring to a "Parliamentary monarchy." This la rather a clumsy and vague compromise phrase but intended to ensure that the monarch is answerable to Parliament. The Socialists, however, refuse to forego their longer term aim of a republic.

The precise role of Parliament remains obscure and must inevitably remain so until it can operate under a newly published constitution (which will not be ready until the new year). So far it has been something of a disappointment. Speeches—with the exception of those of the Communist Party leader, Sr Santiago Carrillo, are boring, pompous and generally ill-informed.

More important, tbe debatea lack real eubstance because there is no tension—an inevitable result of decisions baving *already been made before reaching* Parliament. In addition, the Parlimentary committeea have only just been nominated, so the institution merely acts as a procesing point to legalise various acts of State in the interim period before the constitution is established.

Because of this exceptional situation the Prime Mioister is able to wield considerably more power than he will to under tbe constitution. It also gives a good deal more importance to bis contacts witb the leaders of the main political parties. A de facto situation has now grown-up whereby political power is held by the King, the Prime Minister and the leaders of lbe lwo opposition parties without real reference to the rest of lhe country. The reforms that are bringing Spain towards democracy and integration with the European Community unity are are being imposed from above, not from the base.

This is a scenario which few would have foreseen a year ago, and eveo in the aftermatb of the elections seemed improbable to *the* man in the street there is still an air of unreality *surrounding the* emergence of a very particular form of consensus politics, epitomised by the agreement signed by Sr. Suarez with Sr. Felipe Gonzalez, the Socialist leader, and Sr. Carrillo in October, and knowo as the Moncloa pact.

In return for accepting a 22 per cent. wage ceiling and a 17 per cent. increaae in money supply for 1978, the Government conceded a whole series of reforms, mostly canvassed by the opposition, on political, social and economic matters (for instance improved aocial welfare aod greater budget subsidies to education, control of State companies and reatructuring of the police forces). In one step the leaders of the main Spanish political parties had gooe close to what the Italian Communist Party had been considering for five years in its "historic compromise."

Sr. Suarez has been able to achieve this for three main reasons. He has capitalised on the desire of the opposition PSOE and Communist Parties to be associated with reforms but not part of government; he bas exploited the Left's fear of a right-wing military backlash; and finally the two sides have found common ground over Spain's economic problems.

For Sr. Suarez, support from the Communists and Socialists, who act in the name of and seek to control the unions, is essential for wage restraint and a tough credit squeeze—twin prongs of a policy that probably holds the key to his survival. The Left for their part are fully conscious that a deterioration in the economy could undermine the move towards democracy—the context in which both the PSOE and the Communists believe they can realise their strategic aims.

Both Sr. Gonzalez and Sr. Carrillo have put their names to a pact which will entail considerable hardship to their supporters. Thus the future of the pact, and by the same token the future direction of democracy in Spain, will be shaped largely by the performance of the economy. If the economic measures begin to work, reducing inflation without causing too serious unemployment, then the pact—if not the political positions of the PSOE and the Communists—will remain intact. If not, then a whole range of uncertainties appear on the horizon. The only indicator in the short term as to the temper of the country will come from the municipal elections which are due to be held early in the New Year.

Robert Graham
Madrid Correspondent

The President of the Spanish Senate, Antonio Fontan (right) being warmly greeted last week by Lorenzo Natali, EEC Commissioner for Membership Enlargement.

Portugal has had longer to adjust to democracy than its neighbour, Spain, and has found in the past year that political freedom is not necessarily synonymous with economic well-being.

Portugal

NINETEEN SEVENTY-SEVEN has been a difficult year for Portugal. Although the country's GDP has improved by about 7 per cent., the cost of this rise is heavily reflected in a balance of payments deficit on current account that now stands at over $1.1bn.

Without imported raw materials, fuel and machinery, Portugal has no hope of expanding industrial production. However, its financial resources slender, and its one solid form of security—801 tonnes of gold amassed over decades by the frugal Antonio Salazar, who ruled his country with an iron band from 1928 to 1968 is mortgaged, to the tune of 47.5 per cent. as collateral for foreign loans.

Furthermore, Portugal's exports are rigid—textiles, tinned fish, tomato paste, port and table wines, cork (in dwindling quantities), and some domestic appliances.

The country aspires to bigger, better things—entry in the worldwide automobile market through a new $270m. investment from Renault for an expanded assembly line and new components plant, and entry to the fiercely-competitive petrochemicals market through the giant oil refinery and petrochemicals complex south of Lisbon at Sines, which is now being built.

Meanwhile, this small country must scratch for sustenance where she can. Portugal's agriculture is bedevilled by the *vagaries* of the weather—*this* year's grain crop, after an appalling winter and sodden, over-hot spring, is down by an average of 55 per cent. on the last decade. The result is an *expensive bill for imported food*, which the country can ill-afford, and which is reflected in the current trade gap of $1.9bn.

Only a sudden, joyfully-welcomed upsurge in tourism and remittances from Portuguese emigrants abroad this year has stopped the balance of payments deficit from careering *further* into the red. By the end of August 1977, tourism had brought in a net revenue of $263m., almost 100 per cent. more than 1976. Portugal's tourist attractions are undeniable—temperate climate, long stretches of clean, sandy beaches, varied scenery, and good food. Now that the political scene has recovered from the revolutionary excesses of 1974-75, the authorities have felt justified in waging an all-out campaign to attract package tours and individual travellers. The response has been gratifying.

However, Portugal's political future is far from certain. The minority Socialist government led by Sr. Mario Soares—a man of considerable international charisma—has performed a 16-month balancing act, at a heavy price.

To steer legislation safely through Parliament, where his party has 102 safe votes against an opposition of 73 Social Democrats, 41 Christian Democrats, 40 Communists and a mixed bag of six dissident socialists, one Independent right-winger and one Independent extreme left-winger, Sr. Soares has had to beg support from rivals to his right or to his left, haggling behind the scenes, and offering small temporary concessions but large enough to arouse excessive wrath from another rival party. The long-term result has been an erosion of Government authority, delays in concrete action and confused policies.

Sr. Soares' party recognised this—too late many observers say—and, inspired by the successful "Moncloa Pact" devised by Spain's Premier, Sr. Adolfo Suarez and his Parliamentary opponents, sought a similar treaty.

In the Portuguese case, however, political adversaries were not prepared to be tolerant, and back Sr. Soares in Parliament without substantial favours in return. Social and Christian Democrats demanded a change in Government and in political outlook, involving, in the long run, alteration of the constitution and removal of its Socialist content. Sr. Soares was not prepared to concede this, nor was he prepared to yield to demands of the Communists for a cessation of the return of worker-occupied land to private farmers and worker-occupied firms to their former owners, in return for support.

Thus, a political stalemate occurred, forcing the Prime Minister to turn to Parliament at the end of last week for a vote of confidence. It will be debated this week.

Gamble

This showdown in Parliament comes at a time when the Social Democrat party, which enjoys vociferous, energetic support in the Conservative north, is taking a gamble on becoming a Portuguese version of M. Jacques Chirac's gadfly French group, hammering the Prime Minister and President, risking short-term political confusion and its repercussions for the sake of long-term gains. The "orthodox" Social Democrat wing of the party, which long sought detente with the ruling Socialists and even, taking the long view, eventual merger with the non-Marxist wing of that party, has been politely but firmly silenced by the Social Democrat leader, Sr. Francisco Sa Carneiro. Sr. Sa Carneiro is loudly praised by his northern backers and loudly criticised by moderates south of the River Tagus, Portugal's political frontier. His outspoken verbal attacks on President Eanes have aroused particular resentment from a broad political spectrum.

This political activity has taken place against a bleakly-coloured backdrop of financial problems, with the IMF waiting for a clearer political picture before resuming negotiations on an urgently required $50m. standby credit, itself a prelude to a $750m. medium-term loan (not pegged to Portugal's gold) needed to bolster the balance of payments. The outcome of the negotiations will be an austere 1978.

In February Portugal applied to join the European Community; its application was welcomed politically and dealt with gingerly. Only the Moscow-oriented Communist party is not firmly committed to taking Portugal into Europe, so that a change of Government would not imply back-pedalling in this respect. Even the Communists accept firm economic ties with Europe: their objections to full membership of the EEC are based mainly on the unbearable onus which would be placed on Portugal's faltering structures by Community membership.

Portugal's structures—administrative, industrial and agricultural—are undeniably weak. The country has the will to shore them up, but sorely lacks the financial means to do so. Furthermore, it lacks a united, confident population with a clear political image of the future it wants. Forty-eight years of dictatorship did not prepare the Portuguese people for self-government in a democracy. There is still a lingering hope than an omniscient, father figure will emerge from the mists of current problems and produce instant miracles.

The austere, conscientious President, however, is determined to keep Portugal on a firmly non-paternalistic course, where the democratic institutions play their necessary role, despite wistful longings in many sectors for a return to authoritarianism. He has a five-year term in which to uphold this determination, whatever Government serves under him.

Diana Smith
Lisbon Correspondent

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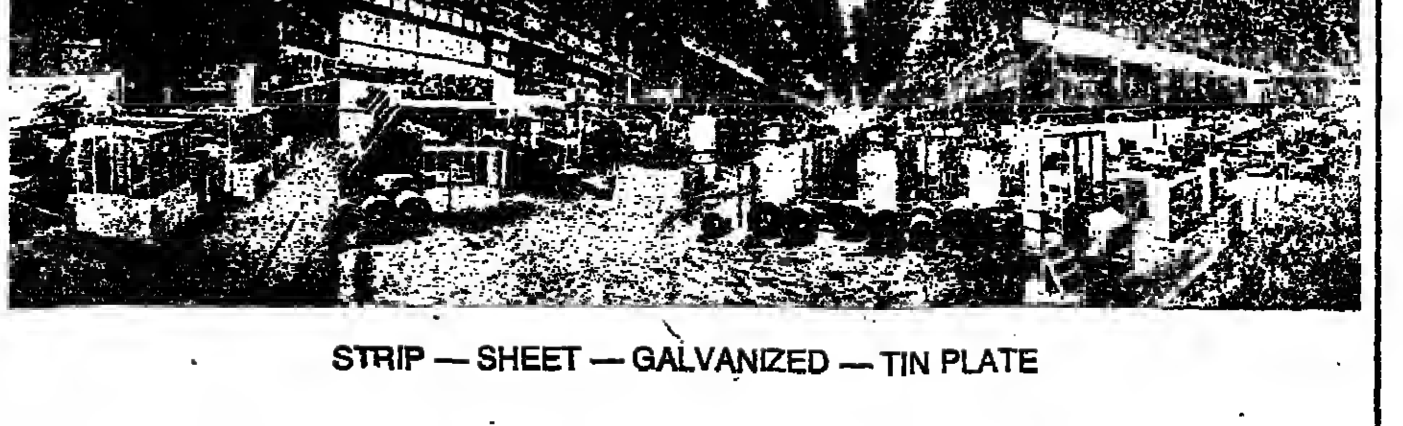

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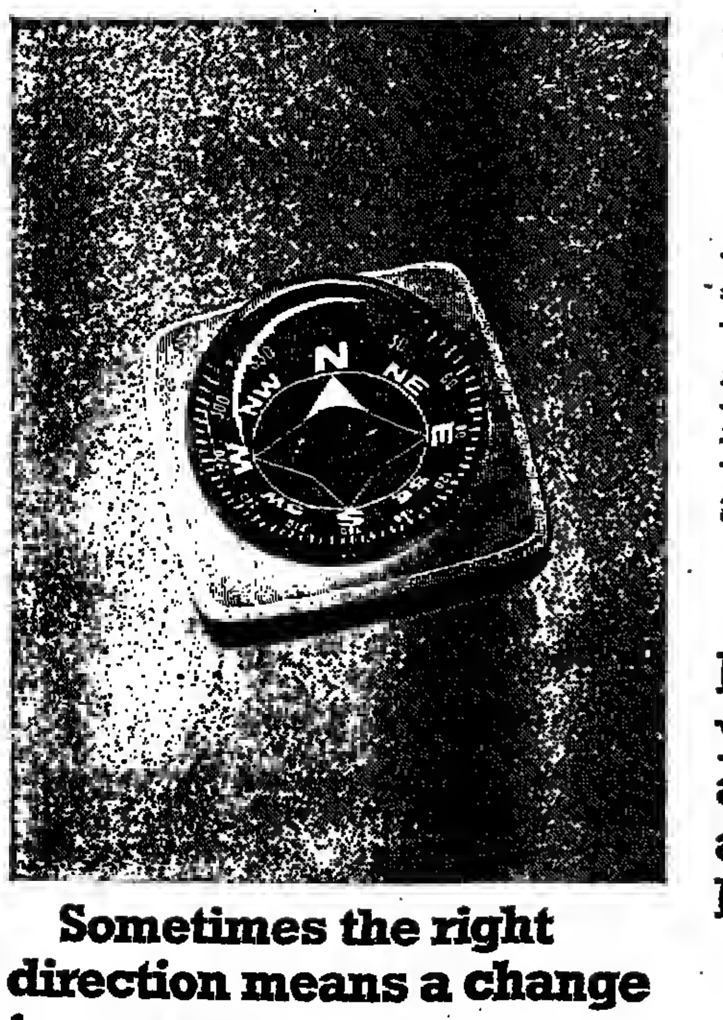

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With three devaluations behind them in one year, the Swedes have not been able to look on 1977 as a successful period. It has been a very tough time for the first non-Socialist government in 45 years, and could even lead to its eventual downfall.

Sweden

IT HAS BEEN a tough year for Sweden and for the non-Socialist government in its first year in power. In 1977 for the first time since the War the GNP will fall by more than two per cent. Industrial production is down for the third year in succession, the payments deficit has swollen to around Kr.16.5bn. (£1.9bn.) and at the end of August the Swedish Krona was devalued for the third time within a year. After two decedes of growiog affluence the Swedes have this year experienced a decline in real disposable income.

On the political front the coalition of Centre Party, Moderates (Conservatives) and Liberals, which took over in October, 1976 after 44 years of Social-Democrat rule, has been forced to nationalise more of Swedish industry in one year than any previoos government. It has also failed to resolve its internal difference over the nuclear power programme and it enters 1978 under a cloud of uncertaioty whether Prime Minister Thorhjorn Falldin's conscientious objection to nuclear energy will bring about the collapse of the coalition before the end of its three-year mandate.

Is there no light in the gloom? Very much depends on developments outside Sweden. The economy needs a pull from the export markets and, if the OECD growth forecasts for next year are fulfilled, a Swedish recovery could get under way in the second half of next year. The devaluation has improved the competitive power of Swedish industry, although not enough to restore the position to that of the boom year 1974.

Hopes that action will be taken within Sweden to promote and sustain the required export growth rest more on the faith that Swedish good sense and discipline will prevail than on any conviction about Government policies. Sweden is suffering its worst economic setback since the depression of the 1930s and its industry is going through a major shake-up. It would nevertheless be surprising if the economic and technical expertise built up both within Swedish business and the State apparatus over the past three decades could not cope with the changes.

The comparison with the 1930s is invalid in that the collective wealth of Swedish society is now so much greater; the setback is from a far higher standard of living. The Welfare state apparatus has also so far functioned efficiently to protect individuals against the worst effects of the economic decline. Sweden is far from economic collapse (at the beginning of this year it still had no net foreign debt) but the domestic political situation is unstable.

Conflict

The reason for this is the conflict within the Government over nuclear policy, which is very relevant to long-term energy and economic policies but not to the immediate economic problems. In the 1976 general election Mr. Falldin promised to close down Sweden's nuclear power plants by 1985, thus reversing the Social-Democrat programme for an expansion from the existing six to 11 or even 13 nuclear plants. With minor reservations from the Liberals both Mr. Falldin's coalition partners support the Social-Democrat plan.

The coalition has postponed the showdown on this knotty issue. It allowed a nuclear power station to be fuelled and brought on stream. It set up an energy commission to analyse the position and the alternatives and to come up with recommendations. It had an act passed by Parliament establishing new criteria for the processing and storage of nuclear waste which the power companies had to meet before new reactors could be started up.

But time is running out for the coalition over nuclear policy. The Commission will report next month and, although it may not be able to come up with a unanimous recommendation, it is already evident that its majority favours completion of the current nuclear power programme. The power companies, both State and private, believe they can meet the requirements of the new act on waste treatment and storage, although this is disputed by the anti-nuclearists in Mr. Falldin's Centre Party. Before the end of March, the Government will have to resolve this conflict.

So far there is no evidence that Mr. Falldin, although he has retreated slightly from the promises he gave during the election campaign, has changed his mind over the fundamental issue: whether Sweden should abandon nuclear power. If he cannot compromise, Sweden will have either a referendum on the issue or a new election next year. Either could lead to the departure of the non-Socialist government.

This uncertainty impinges directly on the Government's ability to deal with the current economic problem, because both the Social-Democratic opposition and the trade unions scent the political triumph they could command from an inglorious collapse of the non-Socialist coalition. And the Government needs union co-operation to deal with the economic situation.

The core of the matter is Swedish industry's loss of export markets and the reason for it. Since 1975, when the international recession hit bottom, world exports have increased 15 per cent. in volume; Swedish exports have grown by 2-3 per cent. One achievement of this government is that it has won general understanding of the reason for this loss of market shares: the rise in Swedish labour cost during 1974-76.

Sweden met the world recession with an expansive policy, inflating domestic consumption, in order to maintain production and full employment. The wage agreements reached in 1974 and 1975 on the assumption that the economic upturn was over the horizon boosted labour unit costs by over 50 per cent. in the three years to the end of 1976. The payments balance dived deeper and deeper into deficit.

The new government accepted the commitment to maintain full employment despite the fact that it conflicted with the policy pursued in West Germany to which the Swedish economy was linked through participation in the European currency "snake." After a tentative effort to reverse policy in April with a six per cent. depreciation of the Swedish krona within the "snake" and a VAT increase, the Government took more decisive measures at the end of August, when it devalued by 10 per cent. and left the "snake."

Grants

To ward off unemployment the Government this year is giving industry, principally the shipyards, steel mills and textile companies, S.Kr.7.2bn. (£825m.) in grants and loans and credit guarantees up to S.Kr.5.6bn. The total package of support measures extending beyond the current year announced by the government in 1977 is well over S.Kr.20bn.

The devaluation has improved Swedish export prospects but has not restored the unit cost position of Swedish industry relative to the costs of the foreign industries, whose currencies comprise the "basket" to which the Swedish krona is now linked. Other measures are needed to consolidate the benefits of devaluation. The most important is that the unions should accept a wages settlement entailing a further drop in their members' real incomes.

After the summer holidays the Government made overtures to both the employers and unions in the hope of achieving a general agreement on wage, profit and tax development next year. This initiative petered out and the employers and unions are about to get grips on their own. Their opening moves have been predictable with the employers affirming there is no scope for increases above those already agreed such as the fifth holiday week which becomes statutory in 1978, and the unions asserting that their members have already done their share to restore the economy by taking a cut in standards this year.

The unions are looking for a quick settlement on a one-year contract and a recent statement by their chairman, Mr. Gunnar Nilsson, about the need to take a look at the automatic increases in pensions, suggests that they would accept a further cut in real income next year. They might well be hoping to have a Social Democrat government in power when they come to negotiate the 1979 contract. The employers would like a longer term guarantee of wage restraint.

The chief impression at the end of Sweden's first year under non-Socialist rule in 45 years is that the coalition is in danger of losing the initiative. This is primarily due to its impasse over nuclear policy but also to the sheer bad luck of finally overcoming the Social-Democratic monopoly of power at a time when the Swedish economy entered its worst crisis for 40 years. The events of 1977 have probably ensured the return of Mr. Olaf Palme in 1979 if not before.

William Dullforce
Nordic Correspondent

In spite of pressing economic problems at home, Yugoslavia still maintains an outward looking approach to the rest of the world, and Europe in particular, and appears determined to develop greater detente between nations.

Yugoslavia

AS HOST TO the Belgrade meeting to review implementation of the Helsinki Final Act, Yugoslavia has naturally been interested in its satisfactory outcome. But this interest is also due to the country's conviction that peace, security and co-operation in Europe are vital to its continued stability and well-being.

It has, therefore, been making every effort to ensure that the meeting does not concentrate on trivial matters, and that the important issues are dealt with realistically, so as to achieve the consensus necessary for making progress. Principally, this has meant striving to prevent the meeting from degenerating into an East-West verbal duel, or leaving the rest of the European countries—the nine neutrals and non-aligned—out in the cold.

This reflects the Yugoslav view that detente is thought a good thing—it should not involve only the two superpowers or the two blocs. Other countries should be actively involved as well.

Yugoslavia has also opposed attempts to reduce the meeting to a discussion of one or two items, be it security or human rights. It wants a balanced appraisal of the implementation of the Helsinki Final Act, and above all, one that improves rather than worsens, relations between the signatories. It is also keen to promote discussion of the future of detente. In spite of many significant results achieved since Helsinki, implementation, it feels, has been incomplete and inconsistent, notably in the military aspects and the rights of national minorities.

Worries about security have persisted in this country for two reasons. One is the continued arms build-up in Europe, the other is the situation in the Middle East, where, it is feared, a new war could spread to neighbouring regions.

Yugoslavia is pressing for disarmament, especially in Europe, where there has been no improvement since Helsinki. Here again the view is that this should not be left entirely to the superpowers, although it is recognised that it is primarily their responsibility.

Recognise

At the same time, the Yugoslavs have been urging European countries to recognise that security in the Mediterranean region is a part of European security and that there should be closer co-operation among European and Mediterranean countries, those two often overlapping.

Yugoslavia does not feel threatened by any power at the moment, but it is nevertheless keeping up its defences, particularly against psychological warfare, which has been going on incessantly.

Economic worries have been much more of a problem. Although industrial production is up almost 11 per cent. this year and the harvest was excellent, the balance of payments has been deteriorating to a worrying extent.

Last year ended with a small surplus of some $150m. but this year may well produce a deficit ten times as big — at least $1.5bn. The reasons have been partly in the recovery itself. Increased industrial production required higher imports at inflated prices, but Yugoslavia was also unable to expand enough to reduce the trade gap which will total well over $4bn. by the end of this year. It reached $3.7bn. in the first nine months.

Although officials have admitted that they did not do enough to enhance exports and that the domestic market absorbed too big a share of industrial output, they mainly blame the barriers they have been meeting in the markets of the developed countries, the EEC above all.

A week ago the Yugoslav Federal Government sent a memorandum to the EEC about the state of mutual economic relations, calling them unsatisfactory. The memorandum stated that Yugoslav exports to the Community have been falling.

The Community's share in Yugoslav exports went down from 39 per cent. in 1970 to a mere 29 per cent. in the first nine months of this year. The trade deficit with the Community amounted to 60 per cent. of the total and in the same period reached $1.7bn. The Yugoslavs reproach the Community for its protectionism and claim that it did not honour the terms of the existing trade agreement, for example over the import of Yugoslav baby-beef.

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A port in the middle of the Mediterranean

Turkey is gripped by a political and economic crisis. The future of its coalition Government is in doubt, the country is effectively bankrupt, a shortage of raw materials is crippling industry, unemployment is now 16 per cent and there is a serious balance of payments deficit.

Turkey

SIMPLY cannot continue. On it every Turk is agreed, but w can see any immediate way halt the country's mounting onomic and political shambles. This year was to bave been e one that solved the country's isis, that would bring an end Turkey's problems with the est in economic, political and llitary matters and that would ve the country a new sense of irection. But instead it saw the bright liberal future" proised by the Social Democrat ader, Mr. Bulent Ecevit, die tillborn. The June 5 general lections led to the eventual eturn to office of the Nationaist Front Coalition of right-wing artiea which had allowed the risis to develop to its present roportions. Now, as factious nd divided as ever, it con nues in office, its three memers agreed only on the need to ng together but so frequently each other's throats that there increasing speculation about st bow long the coalition can ldier on.

Istanbul recently ran out of rkisb coffee and Ankara bas en short of salt, but these are ly the least of the shortages the market. Daily electricity ts continue, while the lsck foreign exchange is such that e country is in effect bankpt. The Central Bank is now er $2bn. behind in transfers r imports. Tbe payments ene for normal imports goes ck to February. With 97 per nt. of Turkey's imports being semi-manufactures and instment goods, the problems th imports affects the whole onomy. A shortage of imrted raw materials mean that ctories sucb as the Turkish bsidiary of British Leyland ternational are being forced lay off staff and close down oduction lines. From a growth te averaging 6.9 per cent. in e period 1963-76 and reach- 8.1 per cent. last year, GNP owth is expected to fall to tween 4 and 5 per cent. this ar and to do little better next ar.

Both these developments eate further problems of unployment. Despite the high te of growth of recent years d the export to Western rope of nearly 1m. Turks in e years since 1960, unemployent now totals over 2.4m., or least 16 per cent. of the bour force. It is already the ain social problem of the untry and one with potenlly explosive political effects, t all the indications are that can only become a more rious problem, and quickly.

The country's balance of payents crisis in part reflects the oblems with exports. In the st nine months of the year ese declined by over 20 per cent. as compared with the same period of 1976 to $1.2bn. Imports on the other band rose 19 per cent. to $4.4bn. But the huge gap between imports and exports has long worried economists. In 1974 emigrant workers' remittances totalled $1.4bn. and covered two-thirds of the trade deficit. But now the remittances have fallen and cover only one-quarter of the present deficit. Equally, foreign banks, which gave Turkey $1.6bn. of short-term credits in the years 1975 and 1976 under the convertible lira deposit scheme — loans by foreign banks to Turkish banks where the Turkish Government guarantees the banks against foreign exchange risks — have this year virtually ceased to make further advances.

Now the banks, like the ECGD and other creditors to Turkey, are demanding that the country complete its negotiations with the IMF before they will make further advances.

Negotiations

The negotiations with the IMF have been dragging out since September and have become a major political issue in Turkey. For the opposition, the Government is "tying the development of Turkey to s conple of words to spill from the lips of the IMF." Yet even more serious have been the criticisms of the IMF within the divided bouse of Mr. Suleyman Demirel's cabinet.

In this economic matters come under the flamboyant Mr. Necmettin Erbakan, head of the pro-Islamic National Salvation Party and a religious fundamentalist, whose electoral campaign stressed the Koranic precept of sbolishing interest rates. Mr. Erbakan has long been the advocate of a grandiose heavy industry programme, with 218 projects designed to "make Turkey, as Mr. Erbakan puts it, "the strongest nation on earth." The fact that his last Press conference on the subject bad to be beld by gas light and the total projected outlay is 2½ times the 1977 budget does not deter Mr. Erbakan. Instead he has continued to press his programme and resist the devaluations insisted on by the IMF.

The Turks now say that *inshallah*, God willin, they will reach agreement with the IMF after the important municipal elections due on December 11. Already they bave taken a number of steps in the direction required to win the IMF's standard certificate of good housekeeping. In September they introdnced credit ceilings, tightened up on the money supply, devalued the Turkisb lira by 10 per cent. against the dollar and raised the prices of atate produced goods by up to 140 per cent. The price rises were reflected in an 8.6 per cent. increase in the cost of living index in the month of September alone: on an annual basis inflation is now nearly 40 per cent. Bnt the IMF bas also been demaoding that there should be a further devaluation, —a 3.4 per cent. devaluation was announced last Friday— the shelving of the beavy industry programme, a cut back in the growth rate and further austerity measures. Harsb measures, all of which threaten the political future of Mr. Erbakan.

The intensity of the economic crisis is now such that, as one businessman puts it "the knife has reached the bone." If a major agreement with the IMF can be reached then several leading banks have committed themselves to an immediate loan to Turkey of several bundred million dollars. But for the time being the problems are so acute that little bas been done about tackling Turkey's other problems with the West.

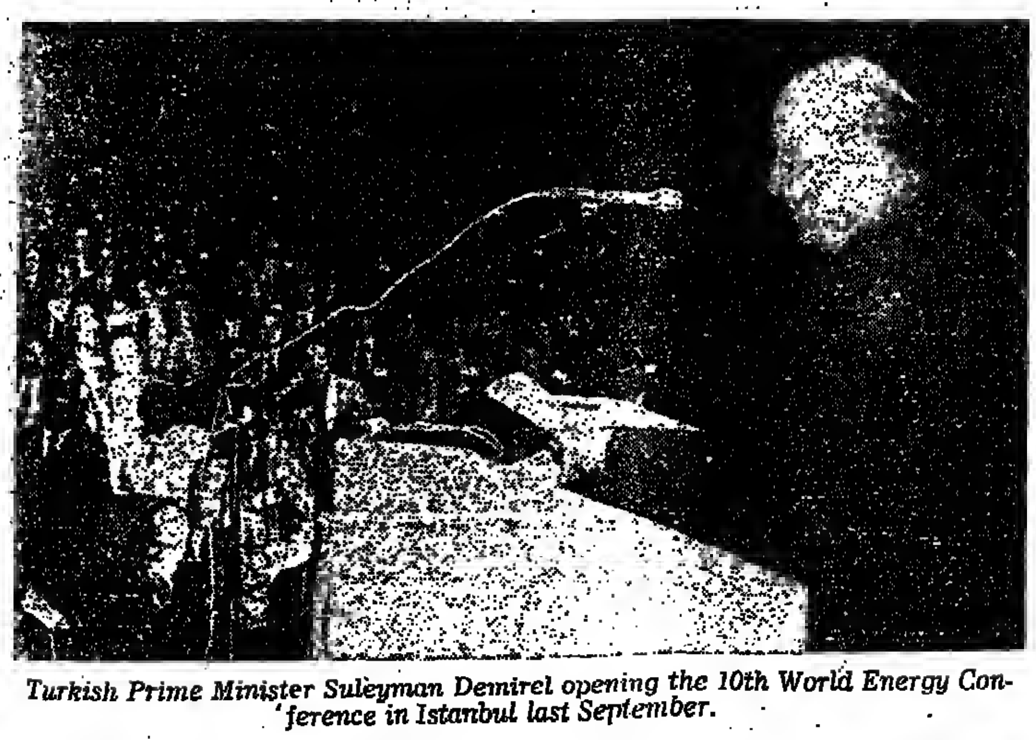
The country's association agreement with the EEC needs revision to breathe life into wbat one Minister calls the "practically dead relationship with the EEC." If the Turks have yet to spell out their demands they are at least clear that it would he "unacceptable" if the entry of Greece into the Community allowed Greece to vote on problems concerning Turkey in the absence of the latter. They are thus demanding that in the political activities of the Community they should be able to participate on an equal basis with Greece.

Coalition

Where the Aegean is concerned their aim is to promote the bilateral talks which have yet to get under serious way between the two countries. But on Cyprus they see no chances of progress until after the Cypriot presidential elections due in February—yet one more of the sadly familiar delays in the interminable dispute over the island. As for relations with the U.S., these depend largely on the passage through Congress of the four-year defence agreement signed in March 1976. But here there is little hope of progress. In one sense this agreement becomes progressively less important to the Turks as the original post-Cyprus arms embargo is increasingly written off. But in another the pro-American lobby is deeply anxious that relations be restored before the growing hostility towards the U.S. in the middle and lower ranks of the civil service and armed forces becomes a permanent factor and Turkey is given one further nudge in the direction of neutrality.

As for the United States itself, this like the armed forces has long discreetly advocated a grand coalition between the two major parties, the Justice Party of Mr. Demirel and the Republican People's Party of Mr. Ecevit. The business community, keen to see Mr. Erbakan out of office, is advocating this with increasing vociferousness. But it is hard to see either of tbe two politicians accepting this. Mr. Ecevit bas time on his side: it is easier to be in opposition than in power in Turkey to-day, though he is criticised by his colleagues for not baving understood the need for patience early in the year, since if be had prevented elections being beld until October be could be ruling the country alone to-day. But for Mr. Demirel the future is darker. There have been three recent resignations from bis party and his many critics inside the party are waiting to see tbe results of tbe municipal elections. While these will in part be a vote of confidence on the present coalition, they will also indicate tn what extent the growth of the extreme right Nstionalist Action Party is continuing. This year's elections ssw this more or lesa openly *fascist* party build up its strength in parliament from three to 16 seats. More important, it bas been packing the five ministries it controls with its supporters, using a mixture of nationalist rbetoric and socialist slogans to expand its support among the workers and developing its brown-sbirt movement the Grey Wolves. These "commandoa" were blamed earlier this year by Amnesty International as being responsible for most of the political killing. In the first five months of tbe year 130 people died in such violence. Since the elections tbe rate has fallen to a still-disastrous level of about three deaths per week. The most serious battlegrounds remain the universities. It bas been a major problem reopening these, but now that tbe students are again back on the campuses the professors say that they believe that they, like Turkey as a whole, will eventually mnddle through, *Inshallah.*

David Tonge



Turkish Prime Minister Suleyman Demirel opening the 10th World Energy Conference in Istanbul last September.

Yugoslavia

CONTINUED FROM PREVIOUS PAGE

he memorandum also contains ugoslav proposals for the new greement to replace the 1973 rade agreement when it expires in less than a year.

The Brussels Commission has ust drafted its mandate for egotiations with Yugoslavia which will be submitted to the Council of Ministers. After its doption, negotiations will start n a new, broader agreement on conomic co-operation. That ocument, however, will not ring about a fundamental hange in Yugoslav-EEC relations unless the governments oncerned translate it into concrete facilities for Yugoslav xports, credits and so forth.

In view of its relatively large reserves of some $2.8bn. at the end of 1976 Yugoslavia can weather this year's deficits. It could not do so for several years at a stretch, however, and unless it can reach an acceptable solution to its problems with the EEC it will have to look elsewhere, not necessarily to Comecon, but to EFTA, North America and the developing countries.

This year Yugoslavia has been celebrating President Tito's two Jubilees: his 85th birthday and 40 years of Communist Party leadership. Despite his age he toured the Soviet Union, North Korea and China, and also France, Portugal and Algeria—all within two months. But his doctors have now ordered him to rest. Any problems he may have with his wife of 25 years have been taboo in Yugoslavia except for a few official statements *revealing* next to nothing.

Preparations have started for next year's eleventh congress of the League of Communists which will decide on some organisational and personal changes. There have been proposals for re-establishing a small political group in the LCY which would be more practical than the present large presidency of the league. The possibility has also been mentioned of Mr. Edvard Kardelj, Tito's closest associate for 40 years, relieving the President of most of his duties as President of the LCY. Many present party and government leaders will be assigned to other jobs, possibly including Mr. Stane Dolanc, Secretary of the Executive Committee of the LCY Central Committee's Presidency. But exact places have not been disclosed.

Aleksandar Lebl

Belgrade Correspondent

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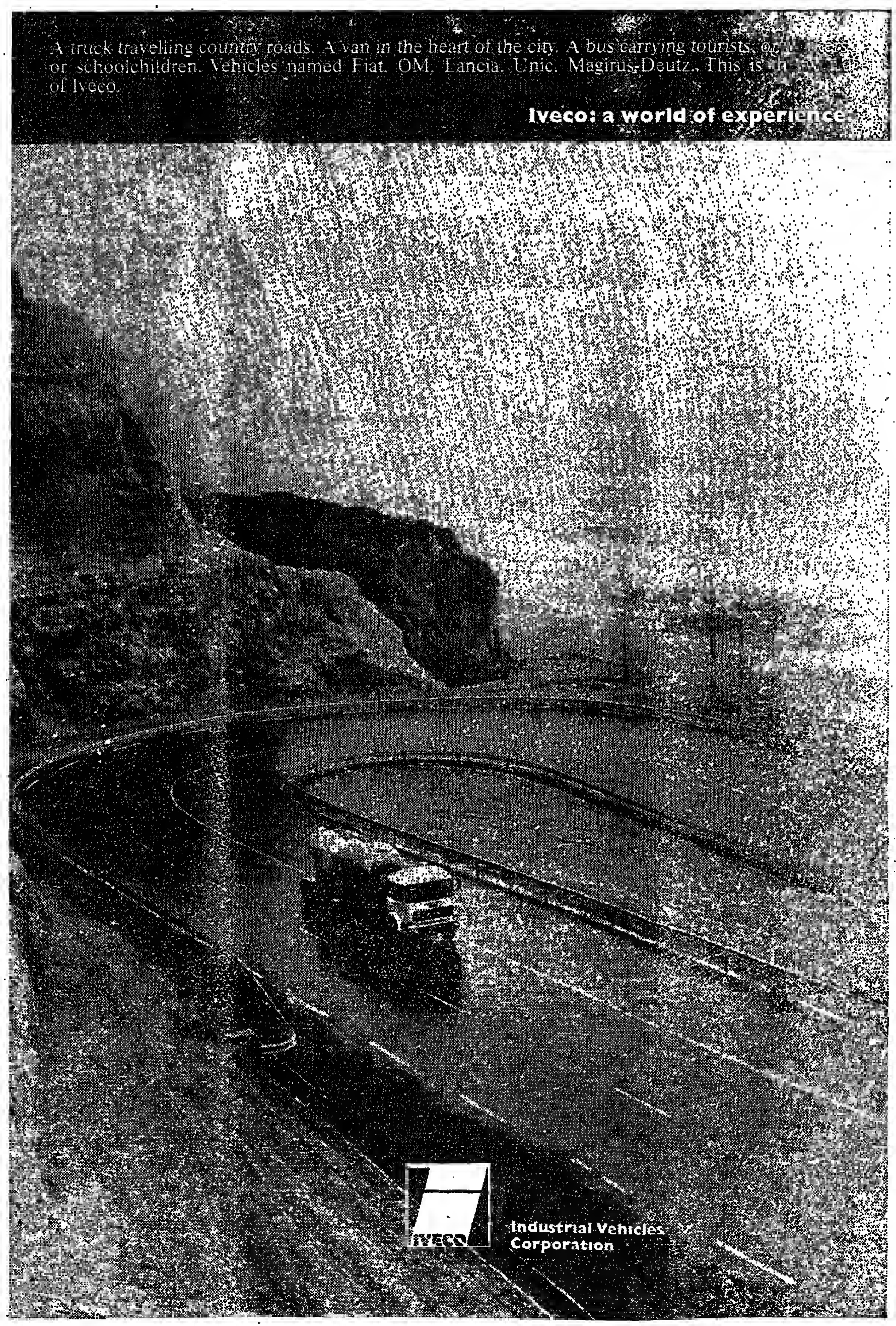

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With three years of recession behind them, the Finns have little to look forward to in the way of recovery in the new year — on the contrary, it seems that their economic problems are now more home-grown than imported, and will need strong measures to correct and resolve.

Finland

FINLAND WILL soon ha celebrating its 60th Christmas as an independent nation. It may be cold and white if the weather prophats are right, wbich is fine for those who like ski-ing. But many of the children who have written to Santa Claus in Lapland for skis for Christmas this year may be disappointed if the economic seers are right. They indicate littla cause for celebration, much for penny-pinching.

The Finnish economy is now coming to the end of its third successive year of depression. Once again, predicted growth rates bave bad to be revised sharply downwards in the course of the past 12 months. The most that can he said is that the rot seems tn have stopped, bot there is little that is encouraging in the short-term economic forecast for 1978.

A few cold statistics may be the best way of setting the scene. The source is the Economic Division of the Ministry of Finance. The Gross Domestic Product will show an increase of 0.5 per cent. this year (0.4 per cent. in 1976); 2.5 per cent. growth is foreseen for 1978. For the same three years, 1976-78, the changes in private consumption expenditure are given as 0, −2.5 per cent. and 1.5 per cent., respectively, and for public expenditure as 3.3, 4 and 3 per cent. The readings for gross investment are −12, −7, and −1.6 per cent. respectively. The inflation rate, as measured by the Consumer Price Index (1972=100), shows some improvement, falling from 14.4 per cent. in 1976 to 13 per cent. this year and a forecast 9 per cent. next year.

Although the macroeconomic indicators do suggest that the downturn has bottomed out, at company level the malady still requires urgent treatment. The Governor of the Bank of Finland lent point to this receotly when he said that the main job for industry now is "to keep alive." One in four of the 200 largest companies in Finland ran at a loss in 1976, and tha figure for 1977 will almost certainly be worse. Weakened profitability and international competitiveness in the corporate sector may well be the most serious economic problem facing the Finnish economy to-day, for thesa failings lie et the root of the serious unemployment situation and stagnation of industrial production.

Depressed

In a word, the depressed state of the Finnish economy can no longer be blamed solely on the lack of a real revival in the country's main export market, Western Europe, bnt is perhaps equally dua to domestic factors. Essentially, the latter means that unit prodnction costs in Finland are too high compared with the situation in its main competitor countries, first and foremost Sweden. Over one major cost component, energy, Finland has no control, for it has no indigenous mineral fuels. The other main cost components, wages, taxes, social security charges, capital costs and some raw materials, notably wood, are well within the powers of internal regulation.

It is in the lattar group of factors that Finnish politicians and labour leaders have conspicuously failed to come up to expectations. But let it be added at once that the present situation has no parallel in Finnish post-war history and that the Gnvernment's room for manoeuvre is limited by statutorily imposed steady increases in public expenditure. The unions, in turn, can hardly be expected to carry too mnch of the burdeo of retrenchment. But one positive feature has come out of the troubled situation. The old attitude of "the lady doth protest too much, methinks," has changed. Even the unions, faced with unemployment rising to 7 per cent., have admitted that industry is in serious trouble.

The labour situation is a matter of great concern. After a series of wide-ranging and crippling strikes in March-April this year, the unions settled for e two-year agreement covering the period up to the end of March, 1979. This gives them nominal wage increases of about 8 per cent. in each of these years; wage drift is expected to edd another 2-3 per cent. to this figure. Relative to the economic situation, this was not e moderate settlement, but compares favourably with annual earnings increases in the manufacturing sector averaging some 20 per cent. in 1975-76.

Finland now has its 60th government in 60 years of independence. In May this year, the old five-party popular front coalition cabinet returned to office. To its credit, it recognisad the need for urgent action and took it under the label of a "stimulation programme." But almost all the tax and other cost reliefs to industry thet it gave with one band. It took back in the form of new charges of a tax-like neture with the other hand.

Stimulation

The Government recently published the draft of a proposed new stimulation programme. This foresees a wage and price freeze plus emergency economic powers to make it stick until March, 1979, and some other measures to reduce employers' costs. Tha immediate reaction of both employers and the unions is negative. As the current labour contracts contain a "review clause" which foresees an examination in Jaouary, 1978 of economic developments in the first year (ending March, 1978) and a look at the trends for the second year, the Government bas now suggested that this review be undertaken immediately, before any further official action.

Two develuations of the Finnmark followed reluctantly and immediately upon the devaluetions of the Swedish krona in March end August. The latter was a 10 per ceot. change, matched by only a 3 per alteration in the exchang of the Finnmark. This le forest industry and some branches dissatisfied, bec gave Sweden, Finland's b competitor in the key W European markets for paper and wood product decisive selling edge.

In spite of the Governme and Bank of Finland's ada rejection of a third and meaningful devaluation a drastic solution to cu economic problems, the sub is aired freely and freque now. But the unions have right under the "review cl of their current labour tracts to demand compen wage increases if the f exchange rate of the Fin is changed "essenti during the contract period essential change has been i preted to mean 10 per cent, the two mini devaluations year amount to 8.7 per already.

Finland's deliberate dive cation of its industrial after World War II to mod the untoward effects of national cyclical fluctuatio ao economy that was narrowly based on woo worked fairly well hi Indeed, but for the new " leg" of the economy, the and engineering industry situation would have been worse earlier in this three downturn. But now the sector is completing its long-term delivery cont aod no new orders are in s When both legs go lame si teneously, drestic action reqnired to get the econ moving egein.

Lance Keyw
Helsinki Correspo

Thank you, International Herald Tribune!

The International Herald Tribune recently commissioned some research* about newspaper readership, in a context of European finance. Those concerned with Euromoney dealings and management were asked (a) which paper do you read? and (b) do you consider it essential business reading? Here are the findings.

	Read regularly	Consider publication essential business reading
FINANCIAL TIMES	**65%**	**31%**
EUROMONEY	49%	16%
INTERNATIONAL HERALD TRIBUNE	**42%**	**8%**
ECONOMIST	33%	14%
BUSINESS WEEK	24%	7%
BANKER	23%	5%
INSTITUTIONAL INVESTOR	21%	4%
THE TIMES	19%	2%

*Source: *The European Money Market, July 1977* by Research Services Ltd., on behalf of the International Herald Tribune.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

In spite of their oil wealth, the Norwegians are not free of economic problems. With most of their export markets still recovering from recession, they are finding domestic growth difficult.

Norway

THIS YEAR looks like being a watershed for Norway—the year when Norwegians gradually realised that this time they are not going to escape unhurt from a major world recession.

The impact of previous post-war recessions has been cushioned in Norway by Government intervention to tide business and industry over each difficult period. Measures employed have included relaxation of credit restrictions, subsidies and cheap loans to hard-hit industries, tax concessions to generate consumer demand and increased Government spending.

To finance these policies, successive Governments have borrowed abroad. Norwegian credit abroad has always been good, and became even more so when oil and gas were discovered on Norway's continental shelf some ten years ago.

The strategy has been successful so many times that no one could blame the Labour Government for expecting it to work through this recession too. It has proved inadequate only because the present slump has lasted so much longer than any of the others. It has grown steadily more serious, too, with millions of workers on the dole in the Western industrial countries which are Norway's main markets.

Norwegian unemployment, on the other hand, is still about the lowest in Europe—at end-October it was only 0.9 per cent. But the policies which have kept unemployment at bay have had so many negative side effects, as the recession has dragged on, that a general belt-tightening is now accepted as both desirable and inevitable. Production costs, for instance, have risen steeply—far more than in competing countries.

Norwegian wage costs per unit of output are expected to rise by 8.5 per cent. during 1977. They will rise by an average of only 4.5 per cent. in the countries which are Norway's main competitors.

With markets abroad shrinking anyway as a result of the recession, Norwegian goods are becoming too pricey for the demand that still does exist. Norway's non-oil exports this year are expected to be 3 per cent. down on 1976 in terms of unchanged prices. At home too Norwegian goods have been losing market shares to cheaper imports. Imports have, in fact, been soaring, reflecting a consumer spending boom.

The resulting increase in the trade gap, combined with continuing heavy investment in offshore oil and shipping, has helped push the payments deficit to record levels. It is now expected to reach Kr.27.5bn. (£2.75bn.) this year—a new record and more than double the estimate (Kr.13.2bn.) produced by Government economists late in 1976. The new figure is equivalent to 14 per cent. of Norway's Gross National Product, and will bring the country's net foreign debt to over Kr.80bn. by end-1977.

Worries

Growing worries about the country's economy probably helped Labour in the September parliamentary elections. During campaigning it presented itself as the party most concerned with maintaining full employment. This apparently paid off. Labour increased its share of the poll from 35.3 per cent. four years earlier to 42.5 per cent., and its representation in the Storting (Parliament) by 14 seats to 76. The gains were mainly at the expense of its parliamentary ally, the Socialist Left (SV). The two emerged, however, with the same combined total of seats as previously—78 out of the Storting's 155. This enabled Labour to continue in office, though still as a minority Government.

A similar polarisation took place in the non-socialist camp, with the second largest party, the Conservatives, winning votes and seats at the expense of the Centre (farmers') Party and a small and anti-tax party, the Progressives. The latter lost all its seats. Another small group, the New Peoples' Party, also lost its sole representative.

The need to apply the economic brakes had become clear to politicians of all parties. Finance Minister Per Kleppe, presented a restrictive budget for 1978 to the Storting in October, with the proclaimed aims of curbing the consumer spending boom, holding down production costs and maintaining high employment through improved competitiveness. It included some stiff increases in indirect taxation, partly to finance increased Government spending in a number of fields next year, and partly to courage consumption of cert goods.

Adjustments to direct ta were negligible, and ma designed to benefit low inc groups and families wi children. The Minis promised, however, to consi further tax concessions late wage and income rises are he to e minimum in a combin incomes settlement next spri

Reflecting official concern about the competitiveness of Norwegian industry, there an appendix to the budget viding for a Kr.410m. packa of measures to help indust This came on top of supp measures included in budget itself. A key featu was e reduction of the spec tax on investment from 13 per cent., to apply only in t case of investment in indus and mining. Investment building and construction, ing and farming, and wate power development, will still taxed at 13 per cent.

Even though it lacked a absolute majority in t Storting, the Government ha little difficulty in getting Budget approved. Budg features that were opposed its traditional allies, the S were supported by other parti In the Budget debate last mon MPs of all parties seemed to competing with one another see who could paint t gloomiest picture of Norwa economic situation.

Prime Minister Odvar Nor struck a relatively optimi note, recalling that Norweg living standards are alre among the highest in the wo They were not being asked lower them, he pointed simply to defend them accepting a slowdown in sumption growth. Other Lab speakers were less sangui The chairman of the Storting's committee for industrial affairs, Arvid Johanson, listed th numerous branches of Norwegian industry which are now being propped up with Government assistance of one kind or another—and many of them in need of radical restructuring.

Particularly hard hit industries in Norway include shipping and shipbuilding (reflecting the world shipping crisis), forest products (low-price competition from Finland and North America), and ferro-alloys (hit by the slump in world steel production).

CONTINUED ON NEXT PAGE

Runaway inflation and other economic ills are once again playing havoc with the Icelandic economy and leaving a trail of ruinous damage among business and industry.

Iceland

PRESENT Right-of-centre ...on Government seems to ...ving a very difficult time ...g with Iceland's problems. ...ver, it bas only six months ...n office, and any drastic ...taken now will certainly ...ncrease popularity among ...ters.

...icial sources say thet the ...al rate of inflation will be ...nd 32 per cent. by the end ...is year, but other sources ...that it will reach close to ...er cent. The everage rate ...inflation during the last ...ter of 1977 will be about ...o 45 per cent. according to ...iness sources. One of the ...n causes of the infletion is ...enormous increases in ...es, with the total for the ...being about 60 per cent., ...highest increase in one year ...eland since 1942. The cost ...ving index on November 1 was 30 per cent. bigber than ...ear ago, setting off yet ...ier automatic wage increase ...December 1, of ebout ...,000 per worker.

...e Benk of Iceland is trying ...to cut down the demand ...bank loans and hold down ...e spending by increasing ...interest rates. The latest ...ase—the second this year ...k place on November 20. ...overdrafts now carry 20.5 ...cent. interest, with the ...st rate for bank loans ...er cent. This measure is ...intended to try and guard ...e savings against inflation. ...the demand for loana in ...s and pension funds has ...ar not decreased as both ...iduals and business con... seek to invest in property ...ich seems to be the only ...investment at present.

...e present coalition Govern... of the Independence Party the Progressive Party holds ...ge majority in the Althing ...liament), a total of 42 out ...seats. The Prime Minister, Geir Hallgrimsson, is the ...er of the Independence ...y, which is Icelend's largest ...ical party with 25 seats in Althing: it is a pro-NATO pro-Western party, des...ed as being liberal-conservative. The Progressive Party bas 17 MPs and receives its support mainly from the farmers and the very powerful Co-operative Society. The coalition has been an uneasy one, but now it looks as if it will last ont its four-year term or until the Parliamentary elections take place in June next year.

The Government came into office in the aummer of 1974, after a Left-wing Government under the leadership of the Progressives collapsed after a spending spree which emptied all Government coffera on all sorts of ill-advised—but at the time politically popular—wage and welfare projects. When the Left-wing Government left office the rate of inflation in Icelend was 54 per cent. and the present Government has been trying ever since to cut that rate back. It managed to do so for a while end inflation was down to 26 per cent. early this year before the new wage agreements took effect.

Strike

The Icelandic Federation of Labour managed to negotiate e 26 to 27 per cent. overall wage increase agreement for its members early last summer. Icelandic civil servants, who went on a strike for the first time in October, got the Government to agree to a 32 to 35 per cent. average wage increase, after a two-week strike which almost completely paralysed the Icelandic nation. Both agreements are very inflationary in neture and the Government is not yet certain where it will obtain the funds it needs to pay for the civil servants' wage package.

The wage burden has very much been felt in the fishing industry, which claims it is going bankrupt unless the krona is devalued so that the industry can get bigher prices in domestic currency for its exports. The freezing industry is particularly hard hit and last autumn many plant owners threatened to close their plants unless the Government offered them some extensive economic assistance or a devalued krona. The Government came through with increased long-term loans for the industry, and the official slide of the krone against foreign currencies has been considerable over the past few weeks. There is no sign that it will stop or slow down for the time being.

Fishing has been fairly good in Iceland for the past year, but Icelanders are very careful in utilising their already overfished banks inside the country's almost exclusive 200-mile fishing limit. The last of the West German trawlers left Icelandic waters on November 28 last, when the short-term agreement between the Reykjavik and Bonn Governments ended. "There is no chance that it will be renewed," says Mr. Matthias Bjarnason, Fisheries Minister. This is the first time in three centuries that there are no German or British trawlers off Iceland's coast. The total fish catch this year is now estimated at about 1.3m. tonnes, including about 315,000 tonnes of cod and 700,000 tonnes of caplin, which goes almost exclusively into fish meal.

Icelandic trawlers do occasionally sell their catch in Belgian or West German ports, but the landing ban from the cod war days is still in force in British ports. Icelandic fish does nevertheless find its way into Britain through middlemen on the Continent. Ways or meens to lift the embargo in Britain are not presently being discussed in Iceland, since the demand for fish in other markets is very good. The best market continues to be the U.S., where the demand for frozen fillets continues to increase and prices are high.

The leaders of business and industry are complaining very loudly in Iceland because of unfavourable interest rates, capital shortage and the ruinous effects of inflation. It is believed that most Icelandic banks and pension funds will lose money this year because of the effect of inflation on their diminishing funds. But there is still plenty of steam in the business life of the country, partly a reault of very heavy demand for such consumer goods as motor cars, television sets (Icelandic TV is currently going over to colour), and furniture.

Exhausted

Icelanders, exhausted by a long period of extremely high inflation, are putting almost all their savings into goods or property, since everyone knows that there is no sense in placing them in bank accounts, where inflation will destroy their value in a short time.

The political scene in Iceland is coming to life after a long dull period, with most parties now busy selecting their Parliamentary candidates in primary ballots for the forthcoming elections. It is too early to predict which parties will form the next coalition Government, but all four are openly or secretly preparing themselves for the role. The Independence Party seems to be the likeliest leader of the next Cabinet.

The Communist-dominated People'a Alliance hes just elected a new chairman, Mr. Ludvig Josephsson, former Fisheries Minister in the earlier Left-wing government. Mr. Josephsson is believed to be willing to form a government with the Independence Party.

The tiny Social Democratic Party is staging a comeback and boping to get one or two Ministerial posts in e new coalition with the Independence Party and the People's Alliance. The three parties could very effectively control the labour movement in Iceland, while they could take drastic steps to arrest the inflationary trend. The Progressives are also hoping to continue in the Government. But tbey could very posslbly be left out in the cold after next June.

Until then the ordinary Icelander bas to try to find means to survive through a difficult period of increasing inflation and constantly higher prices which will more then likely empty his pocket.

Jon Magnusson
Reykjavik Correspondent

Norwegian Prime Minister Odvar Nordli (centre) with Mr. James Callaghan and the chairman of the West German trades union federation, Heinz Vetter during the European Labour Movement conference in Oslo earlier this year.

Norway

CONTINUED FROM PREVIOUS PAGE

...Oslo's stock exchange haa ...flected the growing pessimism ...business and industry. ...ices have tumbled this year, ...ting new lows each month. ...om January 1 to mid-...vember, the overall share ...dex fell 26.1 per cent., and ...e sub-indices as follows: ...ipping by 40.1 per cent., ...dustry 32.7 per cent., insur...ces 24.5 per cent., and bank ...eres 8.2 per cent. Turn...er bas also been low. For ...e year as a whole it is ...pected to be less than ...r.200m., compared with ...r.1,739m. in 1973, the peak ...ar to date.

The year saw some serious ...tbacks too in the exploitation ...Norway's offshore oil and gas ...sources, which until recently ...eem to promise the country ...most limitless prosperity. The ...low-out of a well on the Eko...sk Field in April had an ...mmediate and enormoua impact ...n public opinion, though this ...essened when none of the oil ...pilled was washed aahore. The ...ccident did, however, lead e ...badly-shaken Government to postpone plans for drilling in the far stormier waters off the north Norwegian coast, and to shelve until after the election the offer of additional concessions on the Norwegian shelf south of the 62nd parallel.

A report by an officiel commission of inquiry was published—luckily for the Government — after the September elections. It revealed some hair-raising facts about sloppy work routines off-shore, inadequate official supervision and poorly trained drilling crews.

Meanwhile, the oil companies —including the State oil company, Statoil—continued to revise upwards their estimates of present and future development costs. Technical problems held production below the forecast figures, thus contributing to the payments deficit (so fer, all Norway's oil and gas production is exported).

Supplies of cheap Ekofisk condensates, promised as feedstock for a new petrochemicals plant in eastern Norway, failed to begin arriving when the plant was ready to start production. Its owners (Norsk Hydro, Statoil and Saga), had to buy feedstock on the open market at bigb prices and were reportedly ont of pocket to the tune of several hundred million kroner in consequence.

Phillips Petroleum, the operating company on Ekofisk, pleaded deleys in completing the Teesside plant which will separate the condensates from the Ekofisk crude, but by November the Norwegian trio were getting impatient and said they might sue for compensation. In October Norsk Hydro president Joban Holte told e luncheon in London that the plant "could heve been built at the North Pole in the same time as it is taking at Teesside."

All in all, the oil industry brought more disappointments and beadaches than anything else in 1977. With all its drawbacks, bowever, it remains the only eeclor of the Norwegian economy expected to show significant growth next year.

Fay Gjester
Oslo Correspondent

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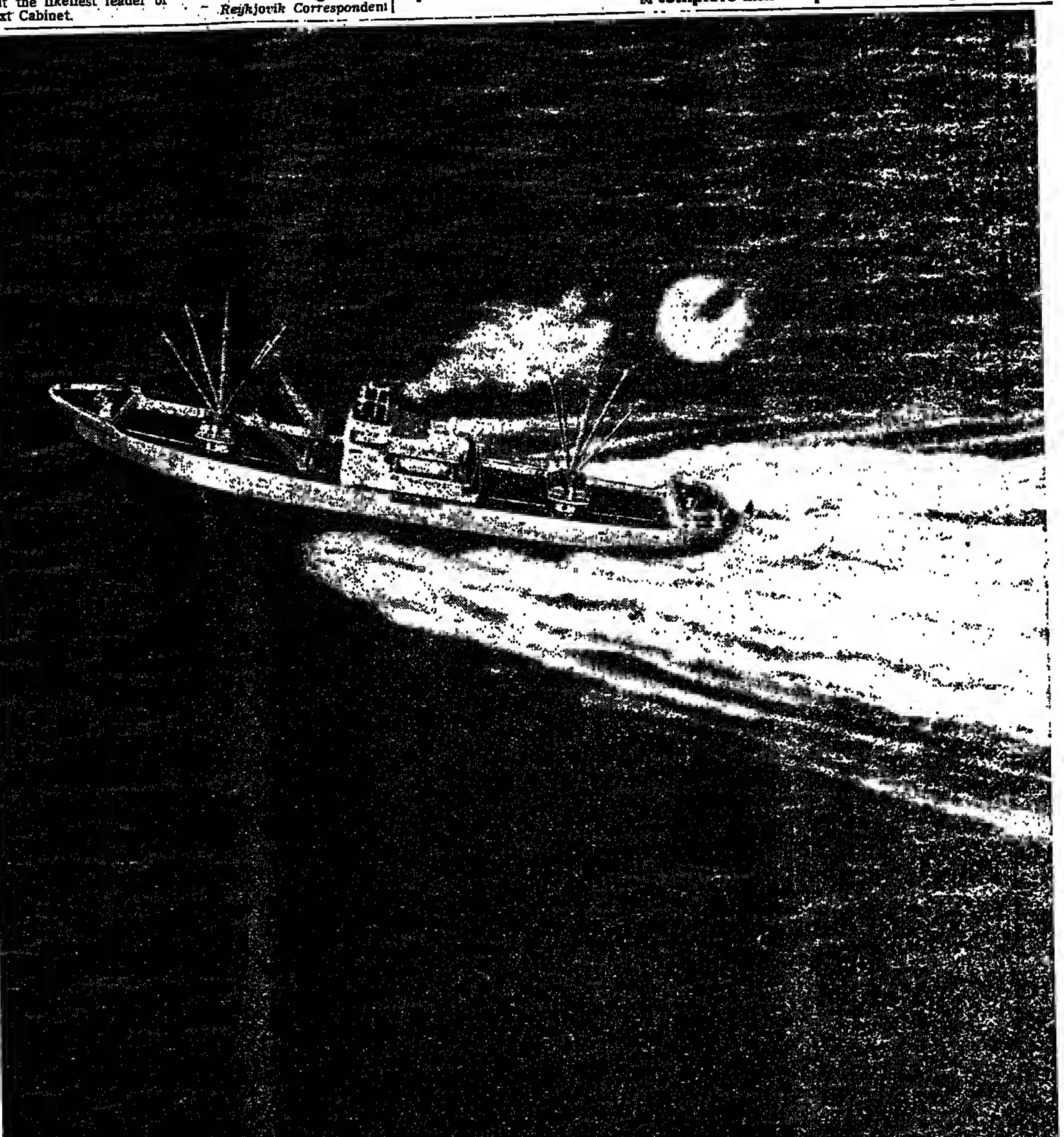

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THE BROADLY BASED BANK.

Austria has enjoyed seven years of stability and growth while most of its trading partners have been in recession. Now the balance seems to be tipping the other way, much to the concern of the country as a whole.

Austria

ON THE eve of a new round of collective bargaining, affecting close to half a million wage and salary earners in Austria, the Parity Commission on Prices and Wages, comprising representatives of the Government, industry, farmers and labour has just issued a joint appeal for restraint. Such a psychologically important move by the key instrument of the famous Austrian social consensus was last made about 10 years ago.

The joint initiative reflects the widespread concern that the long period of fat years, of all-out growth coupled with a rapid rise in the standard of living, is over. Both the business community and respected economic commentators have been stressing lately that wage settlements for 1978 should be no higher than the 5 per cent. inflation rate forecast for next year. For the time being, however, nominal pay claims are averaging 9-10 per cent.

Two recent ominous developments have injected a note of urgency into the latest appeal for restraint in wage policy. The nationalised Voest-Alpine steel concern, by far the largest domestic company, has just announced that about 15,000 workers will be placed on short-time working. What is tactfully called "retraining" schemes will affect about 20 per cent. of the normal working time during the next three months.

The second depressing item of news was the announcement that the visible trade deficit during January and September jumped by 31 per cent. to Sch.51bn. (£1.75bn.). The jump in the trade deficit coincided with the disappointing performance of tourism, the main prop to the external payments. Thus, during the first nine months compared with the same period last year the net intake from holidaymakers was down by just over 1 per cent. to Sch.23bn. As a result the deficit on current account almost doubled to Sch.29bn. and external reserves shrank by Sch.10bn.

One of the reasons for the growing drain on foreign exchange reserves was of course the fuel bill which between 1972 and 1976 trebled to Sch.25bn. per annum. Even more important, however, was the appreciation of the schilling against most western currencies the almost explosive expansion in demand for imported goods, which in turn was fuelled both by excessive pay increases and a public spending spree, reflected in massive budget deficits.

It is now generally agreed that one of the most serious mistakes was committed in 1975. The collective bargaining agreements at the turn of 1974-1975 had been based on the projected 5 per cent. increase in GNP. But in reality GNP was down by 2 per cent. compared with 1974. Nevertheless gross wages per employee jumped in the same year by 12.5 per cent. Earnings in industry during 1966-76 rose on the average by 11 per cent. per annum.

No wonder that wage unit costs in industry, expressed in national currencies, rose during the same period by 178 per cent. as against 113 per cent. in Switzerland and 137 per cent. in West Germany. Between 1972 and 1976 they were rising here twice as fast as in Germany. Rising unit costs coupled with the appreciation of the schilling provide the background to the 9.5 per cent. rise in imports this year, as against a mere 4 per cent. growth in exports.

Now, however, the 7.5m. Austrians are having to pay the price for their deceptive economic miracle. A glance at the external indebtedness reveals, for example, that it has risen from Sch.63.4bn. in 1974 to Sch.165bn. this year. In 1970 debt redemptions and interest amounted to Sch.10.5bn. or 6.3 per cent. of the budget expenditure. This year debt servicing will cost about Sch.24bn., already 10 per cent. of expenditure. If this trend is not checked, the State debt would reach the staggering total of Sch.300bn. by 1980, with debt servicing (principal and interest) already absorbing Sch.50bn. or 15 per cent. of the projected budgetary spending.

It is against this sombre background that the Government has decided to introduce a spate of austerity measures. As of January 1, 1978 a package of tax and tariff increases should dampen consumption and imports on the one hand and increase budgetary revenues by some Sch.14.5bn. By hitting consumption, the only real growth factor, however, the Government is stepping on the brake at the very time when the economy is in dire need of stimuli. But the hopes pinned on a sustained upswing of the world economy, primarily in West Germany and in Western Europe have not been borne out, and a shift in priorities from growth to stability has become unavoidable.

This will also puncture the myth of full employment. On the assumption that foreign workers will be primarily hit by redundancy, the rate of unemployment should rise to 2.5 per cent. next year. However, economists warn that without a stability-oriented incomes policy and measures to stimulate investments, unemployment could rise to 3.5 per cent. by 1979 and even reach 4.5 per cent. in 1980.

The international competitiveness of this small land-locked country primarily depends on bringing the wage spiral under control. This, together with the curbing of public spending rather than covert import control measures, can provide the only basis for a gradual restoration of the equilibrium in the external payments.

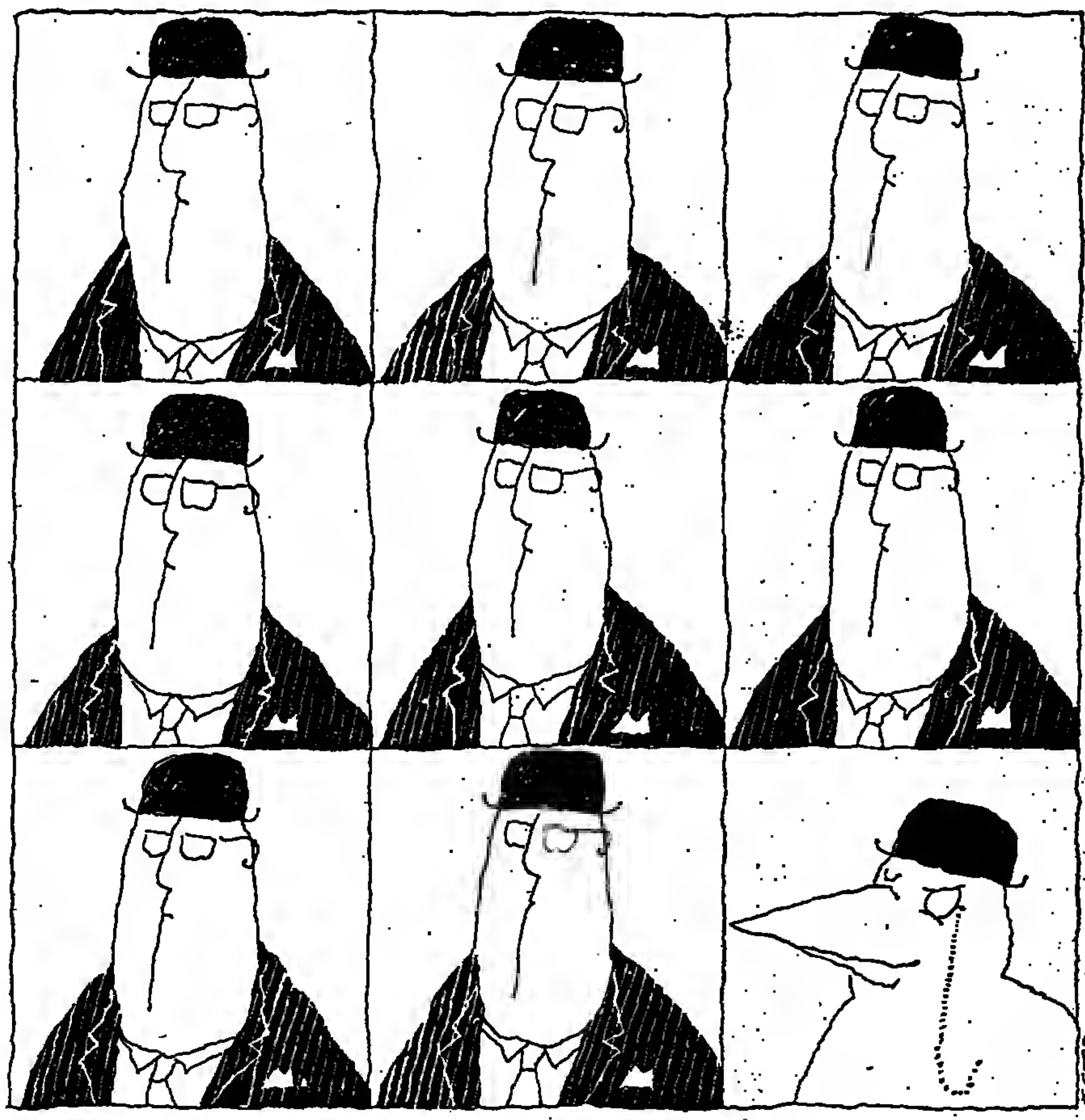
Clearly, much will depend on the ability of the trade union leadership to convince labour of the need to accept a temporary pay freeze, possibly even a slight reduction in real earnings. Austria by now has a worldwide and well deserved reputation as a country of labour peace and social-political stability.

It remains to be seen, however, whether Chancellor Kreisky and his party will pluck up enough political courage to move soon to the second phase of the long overdue austerity measures. The special 30 per cent. rate of VAT, instead of the average 18 per cent., on cars, stereo equipment, jewellery, furs, cameras, motor boats, etc., involves after all only 6 per cent. of total private consumption.

In view of the rise of the budget deficit from Sch.44bn. in 1976 to Sch.47bn. this year, and of the sombre outlook at least as far ahead as 1980, the Government will have no elbow room for pumping money into the economy. Nor can it dangle the customary bait of income tax reductions on the eve of the next general election. Instead it will have to convince the man on the street in general and the various highly organised pressure groups in particular that the Austrians cannot live beyond their means.

Compared with most other European countries Austria's overall record is not bad, and even now the situation is not dramatic. But the real test for the future of the schilling as a full-fledged member of the select hard-currency club and for the maintenance of Austria's proud place in the European growth league still lies ahead.

Paul Lendvai
Vienna Correspondent



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GZ.AE 3/76

Although Switzerland is pulling out of an economic recession there are no signs of a return to the boom conditions of previous years.

Switzerland

THE SWISS economy now seems to have pulled clear of the 1975/76 recession. Gross National Product, down in real terms over the two past years, is growing again and for 1977 will probably show a rise of considerably more than the 1.8 per cent. originally forecast by Berne.

Consumer demand is at long last expanding, industrial output is up and investment prospects are less gloomy. Unemployment is down to 0.3 per cent. of the labour force. Tourism, on the decline since 1972, is looking up again. All this is happening with an annual inflation rate for the first nine months averaging hardly 1½ per cent.

The picture is in fact not quite as rosy as it may appear. The remarkable strength of the Swiss franc—now at a record trade-weighted appreciation rate of over 73 per cent. compared with Smithsonian levels—has meant that exporters have frequently had to cut back on profits to land new orders. In addition, actual employment figures are well down on the early seventies; the loss of tens of thousands of jobs has simply been camouflaged by the exodus of foreign workers.

Nor do the markets offer much scope for expansion. Foreign demand for capital goods is sluggish—quite apart from the exchange-rate disadvantage suffered by the Swiss—and the population has been shrinking for the first time in over 50 years.

So even if this year's economic growth continues, as is expected, into 1978 there will be no return to the boom conditions of previous years. This applies not only to the medium-term future. In the long term, too, Swiss-based capacities will expand only slowly and its population hardly at all. Nor is any renewal of the huge backlog demand of the sixties and early seventies or a second era of major technological achievements on the horizon.

But even gradual growth means consolidation of Switzerland's astonishing prosperity—per capita GNP this year is likely to be close to $11,000. Although there will almost certainly be no repetition this year of the typical 1976 trade balance surplus, there will again be a very substantial balance of payments surplus on current account, perhaps of the order of Sw.Frs.7bn. Should real term GNP rise at an annual rate of "only" 1½ to 2½ per cent. between 1977 and 1981, as forecast by the Swiss Bank Corporation, Switzerland will remain one of the world's better off countries.

One of the major problems will be the Swiss franc. In view of the stability and prosperity of Switzerland and the recent history of its upward floating currency, international demand is and remains very strong. Although its interventions were not of record 1976 dimensions, the National Bank purchased over Sw.Frs.9bn. of dollars on the foreign exchange market in the first nine months of this year. For all that, the dollar fell to Sw.Frs.2.20 and could well decline further to around Sw.Frs.2.15 — or half of its early-1970s value — in the near future.

Disturbed

Export industry, strangely enough, seems less disturbed by the strength of the currency than a year or so ago. Exports have not, as had been darkly predicted, become impossible—indeed, after taking price movements into account, export volumes in the first ten months rose slightly faster than similarly price-weighted imports. But the full effects of the record exchange rates will be felt only in a year or so because of long delivery dates for capital goods. There is also growing concern at the fact that the D-mark is once more below par against the Swiss franc, since West Germany is by far Switzerland's biggest export market.

Manufacturing industry, at least with regard to its Swiss-based operations, will hardly be able to improve profitability to any extent and in some cases will be hard put to find the wherewithal for necessary investments. Individual companies will continue to go to the wall in the more severe process of selection brought about by tighter markets, in the course of which the banks are drawing attention to the continued rise in their bad debts. The Government is giving some modest aid to structurally jeopardised industries and areas but certainly no feather-bedding.

Investment activity is growing to some extent in the … trial sector but only again … backdrop of two or three quiet years. Government … ment is being kept to a … mum by the political … reduce Federal and local … ing. The crisis-stricken … sector foresees something … improvement but is sure … can never be a return to … halcyon days before 1975. A… all, the construction indus… overblown by the former … —still has lean years to … through.

Swiss industry itself is … very keen to build up new … city abroad, with the U… clear favourite. There are … the moment virtually no … large-scale manufacturing … ties being built up in Sw… land, although money is … spent on increasing the … added component of many S… products. The services sec… increasingly interested in … ing foreign custom—in the … of the construction indu… indeed, this seems to be a… the only way for many … panies to keep going.

Spending

There are signs of a … upswing in domestic con… spending, particularly a… fear of losing jobs has de… with the end of the reces… This could gain momentum … the wages grow. While … Swiss have had only a mi… or no improvement in … wages over the past year … —and some a deteriorati… number of major pay clai… now in the pipeline, suc… those for the Basle che… industry workers and for … employees. If these set a … there should soon be a … but noticeable rise in … amount of available incom…

Labour relations them… remain very good in Switze… thanks partly to the … average take-home pay … partly to the "peace-tre… agreements between union… employers. Strikes and go-… are so rare in Switzerland … their annual total does … merit an entry in most inte… tional statistics. There are … major points at issue betw… capital and labour at pre… although after a long perio… almost frozen wages, pay … tiations in future might … rather harder than usual.

Politically, there have b… no real changes in Switzerla… In local elections the … parties, particularly the So… Democrats, tend to have … some ground. The bogey of … recent past, the xenoph… movement, is no longer a po… to be reckoned with, prim… because the foreign popul… has been falling rapidly … also because of cons… quarrels within the two … parties in question. With … next general elections … two years away, it is pretty … to predict that there will be … change in the now 18-year … coalition between Social De… crats, Liberals, Christian De… crats, and People's Party.

The Swiss electorate has … making itself felt, however … referendum decisions. In Ju… for example, a Government pr… posal for the introduction … VAT was turned down—des… support from Parliament—a… the Federal Council left … the problem of its rising de… unsolved. Another attempt … bring in VAT, albeit at a lo… rate than formerly intended … now expected for next year. … the same time, though, vo… indicated that they wanted … Government to keep expen… ture down to a minimum … on December 4 will doubl… support a plan permitting … at another referendum.

In other referenda the Sw… showed that they are … opposed to most change … principle—as in September, … instance, when a Social De… cratic and Liberal-back… motion to liberalise aborti… laws was rejected together w… a Federal rent control propo… and a bill to apply strict lim… to car engine emission. Th… attitude was evident too … numerous local polls where … tonal and communal counc… have envisaged what is felt … be unnecessary expenditure.

In many ways the… referenda decisions are mo… important to the running of th… country than the general ele… tions with their perpetuatio… of coalition government. The… also tend to keep to a minimu… the role played by the Sta… as shown by the relatively fr… quent votes against the recom… mendations of elect… representatives and the almo… automatic opposition against … strengthening of Federal pr… rogatives.

John Wic…
Zurich Correspond…

Why British Airways may not buy British

BY MICHAEL DONNE, Aerospace Correspondent

BRITISH AIRWAYS is expected to spend upwards of £2bn. in the next ten to 15 years to replace its present fleet of some 170 jets with new aircraft, to extend to see it through to the end of this century, and perhaps beyond. The airline has a requirement for more than one new type of aircraft—possibly as three or four new types may be needed fully to meet the diverse route requirements.

As was made clear last week or so has seen a revival of the old argument as to whether or not the State airline should be made to buy British aircraft exclusively to meet its needs, regardless of whether or not the British aerospace industry is capable of meeting those needs exactly.

British Airways would like to buy British, all the way through, from the long-haul to the very short-haul aircraft it needs. But it cannot: in some of the areas in which it is interested, British does not have the aircraft available. The Boeing 747 Jumbo jet and the Lockheed TriStar are cases in point.

But BA is a State airline charged by the Government with the task of making money. If that means buying foreign jets, then the BA Board must take that course, unless ordered specifically to do otherwise by the Government of the day.

The revival of the debate on what BA should buy has been sparked off by the comments made in New York recently by Mr. Ross Stainton, deputy chairman of the airline (now effectively running it in the absence of Sir Frank McFadzean, chairman, who has had a heart attack). Mr. Stainton suggested that at least one of the airline's needs for the future would be an aircraft in the 100-120 seat category, to replace ageing British-built Tridents and One-Elevens, and that while BA had asked all the relevant manufacturers, British, European and American, for their proposals, it might become necessary for the airline to choose American jets, either Boeing 737s or McDonnell Douglas DC-9s.

Fleet needs

Mr. Stainton was not suggesting that he was already committed to American jets, but was pointing out that to meet just one of the airline's future fleet needs, such aircraft might have to be considered seriously, especially if the U.K. aerospace industry fails to provide economically and environmentally satisfactory solutions to the airline's problems in the short-to-medium-haul sector. It is a view which many in the British aerospace industry, and many in the world aerospace industries, recognise and agree with.

Before the foundation of BA, the former BOAC and BEA could think in terms of one aeroplane at a time to meet their respective needs. The merged BA, covering the entire spectrum of routes from very short haul to very long haul, must consider a much wider variety of new equipment.

As the accompanying table shows, BA now has six broad types of re-equipment to consider, leaving aside helicopters and the long-haul Concorde supersonic jet, which is in a class by itself, and is virtually settled for the time being with the purchase of the fleet of five aircraft.

Two of these six areas do not give rise to much debate. They are the very long-haul, served adequately by the Boeing 747 Jumbo jet in its various versions, and the medium-to-long haul, served by the Lockheed TriStar, again in a variety of models.

Of the other four areas, one is the very short-haul category, where there is a need for a 70-80-seater aircraft to replace the 18 Viscounts in the fleet on U.K. domestic regional operations. Another area is that where so much present controversy is centred—the need for the 100-120-seater to replace the ageing short-to-medium range Tridents.

The next area to be considered is that of a 160-plus-seater (perhaps of about 160 seats) to meet the expected expansion on the busier short-to-medium range routes through the 1980s and beyond.

Finally, there is the 200-plus-seater, an aircraft lying in size between the 160-plus-seater and the smallest version of the TriStar with around 300 seats.

These are broad areas that shade into each other, and individual airlines have different ideas as to what they need to meet their various range/payload requirements. By and large, however, British Airways is looking at all of them, because its route network is so widely varied that it can use aircraft of all categories. In practice, it will try to buy the minimum number of different types, to fill the widest possible variety of roles.

The 100-120 seat category of aircraft represents only one small part of the total BA re-equipment problem—accounting at first for perhaps 20 and eventually perhaps as many as 50 jets, worth initially £120m. and eventually £400m. or so including spares over ten years or more, only a fraction of the eventual total re-equipment bill of £2bn. or more. It is the 160-plus seater that is the most important aircraft, for it is there that the biggest sales of all will probably lie through the 1980s, amounting perhaps to 2200 jets, worth of aircraft, worldwide.

BA needs a 100-120 seater soon to replace the oldest Tridents and One-Elevens which have been in service since the early 1960s. These jets are becoming uneconomic, as fuel prices rise. Fuel costs are now three to four times what they were when the Rolls-Royce Spey engine was first developed in the late 1950s and early 1960s. While some technical improvements can and have been made to the Spey, they do not compensate for this kind of price rise, with the result that the Spey in both Tridents and One-Elevens is becoming increasingly outdated so far as British Airways is concerned.

Secondly, the noise of Tridents and One-Elevens is becoming unacceptable at many of the West European airports BA flies to. While "hush kits" are available for the Spey, the reduction of noise levels they give has to be offset against the weight penalty involved in using them, and the cost of buying and installing them. BA, therefore, feels that from now on, the existing Tridents and One-Elevens will become increasingly unacceptable, economically and environmentally, and will have to go. Some of the older Trident Ones have already been phased out of regular service.

BA's problem is how to replace them. It has three options. One is for British Aerospace to produce a design for a One-Eleven derivative, seating 100-120 passengers, and using a hush-kitted Spey (or perhaps even another engine, such as the quieter Franco-US CFM-56 engine). While there is a derivative of the Spey on the drawing board at Rolls-Royce, called the RB-432, it is not yet in full-scale development. Even if development were to be started now the engine would be hardly likely to become available in time to meet the BA requirement in the early 1980s. The other options are for BA to buy either the Boeing 737 or the McDonnell Douglas DC-9, perhaps with the new, quieter version of the Pratt and Whitney JT-8D engine, the Model 209.

BA has asked all three manufacturers for proposals. British Aerospace itself is well aware of what is at stake and believes that it can come up with an "attractive" proposal within the next two weeks or so. But if that offer is not attractive, BA may have to opt for one or other of the U.S. jets. In that case, the British Government will have to consider whether it is prepared to let this category of BA's re-equipment "go foreign," leaving the other areas to be met by the U.K. industry in conjunction with European or U.S. partners.

If the Government decides to order BA against its will to buy the U.K. aircraft industry's 100-120 seater proposal, then the Government may well have to consider compensating the airline for any losses it may incur from not being able to fly the aircraft of its choice. This device was adopted in the case of British European Airways some years ago, when it wanted to buy the Boeing 727 but was obliged instead to buy the Hawker Siddeley Trident Three—an aircraft which, apart from its sales to BEA and China, can hardly be described as a success in world markets with 117 ordered in all versions. Apart from the orders from China, there have been no new Trident contracts for some years. One-Elevens are still being built, and 222 have been bought, but the order flow is slow. By contrast, Boeing has sold nearly 1,500 of its 727s and over 530 of its 737s.

Pressures

There is a danger in the present situation that because of political and industrial pressures BA may be made to buy, and British Aerospace to build, an aircraft that will have only a minimal impact on world markets but which will dissipate resources that might be better spent on the larger, 160-seater and other types, such as the HS-146 or any 200-plus seater Airbus derivative.

In this whole debate, the size of the market for each type of aircraft must be considered. Boeing, the world's biggest jet builder, estimates that the total world market up to 1985 will be worth about $57bn. (some estimates put it even higher), of which no less than $35.8bn. will be for short-to-medium range jets. Of this latter amount, most is likely to go on the bigger 160-plus or 200-plus seater aircraft, and not on the smaller 100-120 seater, a market already well catered for by existing and prospective derivatives of the highly successful Boeing 727, 737 and McDonnell Douglas DC-9. While the 100-120 seater aircraft is important for BA, so eventually will be the bigger aircraft. Both British Aerospace and the Government will have to be careful to ensure that too much is not spent on one at the long-term expense of the other.

The whole argument is thus complex. One aspect which has to be considered is just how many of these areas of new civil aircraft development Britain itself can become involved in, financially as well as industrially. At a time when the civil side of the aerospace industry is running down fast, there is clearly room for a major new package of civil aircraft development. It could include work on the very short haul HS-146, the collaborative 160-seater, and perhaps also on a new Airbus derivative to meet the 200-plus-seater market. Can the U.K., or should it, also try to develop the 100-120-seater? Or should it let this market go to the U.S. (with perhaps some offset work for the U.K.), while concentrating on the other, potentially more lucrative opportunities? British Aerospace will soon be submitting its plans to the Government.

BRITISH AIRWAYS' £2bn. RE-EQUIPMENT PROGRAMME*

VERY SHORT HAUL: 70-80 seat Viscount replacement. Under Study: U.K. Hawker HS-146. At least 18 aircraft will be needed.

SHORT-TO-MEDIUM HAUL:

1. 100-120 seater, Trident/One-Eleven replacement. *Under Study:* One-Eleven derivative; Boeing 737-200; McDonnell Douglas DC-9-40; between 20 and 50 aircraft will be needed. Urgent requirement.
2. 160-plus seater to meet growth on these routes. *Under Study:* Possible European aircraft derived from U.K. X-Eleven and/or French A-200; between 30 and 50 aircraft may be needed from early 1980s.
3. 200-plus seater: *Less urgent* interest, but possible B-10Y derivative of European A-300 Airbus could be considered.

MEDIUM-HAUL: 300-plus seater; *already met* with Lockheed TriStar, 15 on order or in service; more will be bought.

LONG-HAUL: 400-plus seater; *already met* with Boeing 747 Jumbo jet; 27 on order or in service; more will be bought.

*Types of aircraft under study on order, or already in service.

Letters to the Editor

Dealings by insiders

From Professor D. R. Myddelton

Sir,—There are several problems in proposing to make insider dealings in quoted securities a criminal offence. It is not easy to define "insiders" adequately. In common with most other developed countries some British "insiders" (for example directors) are now grossly (and partly) underpaid; and permitting insider dealing may partly at least partly offset this undesirable state of affairs. There seems to be no "victim." One is free not to deal at the current market price.

Surely it is desirable that market prices should reflect reality "as quickly as possible." Preventing or restricting insider dealing (assuming that insiders are generally well-informed) may have the opposite effect. While an insider who actually buys or sells as a result of his inside knowledge may be detectable nothing can be done about the insider who would have sold or bought personally for his inside knowledge presumably this is no less objectionable.

If the Government is free to profit from inside knowledge, is it really desirable to treat private citizens as criminals for doing the same?

In principle I am always sceptical when told that there is unanimous agreement on a question of this sort. Is it really so overwhelmingly obvious that legislation in this area will on balance improve the working of the market?

D. R. Myddelton
Cranfield School of Management, Cranfield, Bedford.

Non-executive directors

From Messrs. J. Chudley, M. Rosenhead and E. Snelling.

Sir,—While seconding your editorial welcome (November 30) of the White Paper's comments on non-executive directors, may we take Lex to task for his assumption that they must necessarily be busy executives of other companies?

A few enlightened companies make specific provision for executives to take up non-executive appointments and one we know that this practice will grow, since it provides a valuable source of non-executives and good experience for the executives concerned.

There are also, however, growing numbers of professional multi-company non-executive directors who take the time, trouble and expense to keep themselves up-to-date with what goes on in the world of business and provide themselves with the staff and facilities to serve on the Boards of a limited number of different companies, and undoubtedly it must be from this source that the majority of new non-executives will be drawn.

What is needed now is a professional structure within which multi-company directors of both categories can work and recognition that it is an occupation worthy of the highest quality of practitioners.

Given such a structure and such recognition, becoming a multi-company non-executive will be a satisfying, lucrative and equally busy second career for the successful busy executive who has reached the top and sees nowhere else to go.

John Chudley.
Martin Rosenhead.
Ernest Snelling.
Associated Non-Executive Directors,
Grosvenor Gardens House, 35-37, Grosvenor Gardens, S.W.1.

Over the border

From the Executive Director, Oceanic Travel.

Sir,—While I appreciate your supplement (November 30) concerned itself mainly with the "square mile" E.C. postal districts I was surprised to see so little mention of the E.1 area.

We occupy the first building "over the border" from E.C.3 and the difference in rentals is astounding, despite being in easy reach of all the City institutions. If more companies were prepared to overcome their East End prejudices, they could halve their establishment costs, at the same time helping to bring much needed development to a neglected area.

Colin P. Boyce.
Oceanic House,
133-137 Whitechapel High Street, E.1.

U.S. investment in Britain

From the President, American Chamber of Commerce (U.K.)

Sir,—Geoffrey Owen's piece (Lombard, December 1) on the subject of American investment in the United Kingdom prompts me to offer a few further comments, especially on the point he makes about "changes of mind."

In October of last year the American Chamber of Commerce organised a one-day seminar in London on this very subject titled "U.S. Investment in the United Kingdom—Present and Future." This was attended by about 200 senior American and British executives of companies with Anglo-American interests, and was addressed by the Prime Minister, Mr. Eric Varley, Mr. Joel Barnett, Mr. Len Murray, Lord Watkinson, and a number of senior Government officials.

The seminar certainly seemed to confirm Mr. Owen's general point that the U.K. has been and still is regarded favourably by most American companies, for a variety of reasons. But one key point that emerged was the degree to which investment confidence is influenced, for better or worse, by the perceived intentions of Government in respect of taxation, employment and other forms of legislation. The Prime Minister and his colleagues naturally went out of their way to reassure the conference of the Government's wish to encourage even further U.S. investment in this country, which presently stands at an estimated £14,000m. These sentiments were respectfully received, but it would be fair to say that there was also an underlying attitude of "let's wait and see what the Government actually will do about these policies."

While Mr. Owen's point about the tendency of some American companies to "chop and change" their investment strategies may have some justification in a few cases, the evidence shows that by and large American investment confidence in this country has been remarkably consistent, stable and favourable. But it could be made even more so if Government policies of both parties affecting foreign investment were perceived to be equally consistent, stable and favourable.

Hugh Parker.
75, Brook Street, W.1.

New share issues

From the Chairman, M. and G. Group.

Sir,—Your report (November 30) on the stout efforts of my colleagues James Caulfeild in the matter of the Consolidated Goldfields rights issue prompts me to draw attention to a fact of which, in my experience, investors—and some others—need constant reminding.

Any issue of new shares is only justified by the confidence of the directors that they can do at least as well with the new capital as they are doing with the existing capital. If they fail to do this, the earnings per share will fall and the shareholders will have been disadvantaged.

Furthermore the new capital in this equation must be the sum available after deducting the expenses of the issue. In an underwritten rights issue these are not to be ignored.

Edgar Palamountain.
Three Quays, Tower Hill, E.C.3.

Average take home pay

From Mr. P. McCaig.

Sir,—It would be helpful if it were possible for the media to avoid two confusing and misleading references in regard to industrial wage disputes.

Take the constant reference to "take-home pay." All of us (or very nearly all of us) are subject to the attention of the Inland Revenue, and other factors affecting deductions from gross pay are usually the result of personal choice, for example, the number of children we decide to bring into the world; personal savings, mortgage repayments, etc. Gross pay is, therefore, the only relevant comparative criterion to use in such issues.

Then there is the so regular reference to "the average national wage." I have never been able to find out on what criteria this near-mythical figure is based. It certainly reflects gross (including overtime) earnings and (I would imagine) the earnings of large numbers of non-manual workers. The psychological effect of the constant reference to this made-up figure is quite considerable. It causes not only inaccurate comparative wage claims but the resultant dissatisfaction by everyone who earns less than that figure. Additionally, if you earn only a little more than that "average figure," you, no doubt, wonder whether the little extra you get is enough to repay your special skills.

Peter A. McCaig.
23, Toller Road, Quorn, Loughborough, Leics.

A surfeit of numbers

From Mr. T. Arthur

Sir,—As a statistician who could not attend the statistics users conference I was delighted to read Anthony Harris's (Lombard, November 25) view that a shortage of numbers is not an important cause of the British disease, and that calls for more and more numbers display a "neo-Platonist" error. I was sorry, however, to learn that only the banks complained that officialdom requires too many figures.

I echo them most heartily, and I contend that a large proportion of official statistics are misleading, damaging and wasteful. I, therefore, go further than Anthony Harris and suggest that a surfeit of numbers has contributed positively to the British disease.

T. G. Arthur
3, Yoteley Road,
Edgbaston, Birmingham.

The Tory Party

From Lt.Cdr. N. Paulley RN (Retd.).

Sir,—"The Conservative Party is not the Party of 1974" writes David Howell MP (December 1); but isn't it?

The Conservative government of 1974 fell because it had failed to reduce public expenditure sufficiently to pay for its tax cuts, and a massive inflation had ensued. Does anyone believe that Mrs. Thatcher's proposals for reducing public expenditure will be sufficient to pay for the cuts in taxation which she has promised?

And, like Mr. Heath, Mrs. Thatcher has made the task doubly difficult by her intention to increase certain sectors of public expenditure (defence, the police and owner-occupier subsidies), while at the same time exempting a major spending department (education) from the axe.

Contrary to what Mr. Howell would have us believe, may not history be repeating itself?

Noel Paulley,
"Corfu,"
Cardiff Road, Creigiau,
Cardiff.

Misleading gymnastics

From Mr. M. Langdon

Sir,—Referring to Mr. K. C. King's letter (November 25) he has omitted to take into account the operations of the average business man. When a business man costs his products he takes into account replacement cost: hence his increase in working capital in the first instance or, alternatively, his reserves and undistributed profits, and/or initial capital requirements.

We do not desperately need a system of replacement cost accounting. Neither do we need the nonsense referred to as "inflation accounting." What we need is the presentation of clear and accurate accounting, and the abolition of misleading "gymnastics."

M. Telles Langdon.
29 Park Street,
Croydon, Surrey.

Motor industry pension plan

From the Deputy Director, General Motor Agents Association

Sir,—Mr. Sloan (Nov. 26) in commenting on Eric Short's article and the Motor Agents Association national motor industry pension plan is presumably unaware of the basis on which the plan operates and has therefore made a number of observations which it is important that I should correct.

One of the essential elements of the plan is that each participating company is independent and is not called upon to cross-subsidise the others. The central fund is self-administered but it uses insurance for death in service and disability benefits. It cuts costs to individual companies by reducing an almost infinite range of benefit possibilities to a series of standard component benefit items. Individual employers are not therefore subject to a benefit strait-jacket. The almost infinite range of possibilities between the minimum needed for contracting out and the maximum permitted by the Revenue has been reduced to eight standard options which enable low cost central administration services to be provided.

Furthermore, our industry is predominantly composed of young men to whom the financial advantages of contracting-out are greater than in many other industries.

It has never been accepted (as Mr. Sloan states in his second paragraph) that small companies would generally be safer to contract-in. What Mr. Short stated in his first article was that small companies were at a severe disadvantage because most of them would be compelled by the contracting-out conditions to stay with Big Brother, the State whether this was to their advantage and to the advantage of their employees or not.

Our association can reasonably claim credit for recognising this problem some considerable time ago and taking active steps to tackle the problem on behalf of our member organisations. It was just as we did with the introduction of VAT. It would be impossible to explain within the scope of a letter the many differences between our nationwide final salary pension plan which gives an employee in one member company the opportunity to transfer to any other employer participating in the plan and to carry his years of service with him, so that he is as well off at the end of the day as if he had remained with one employer throughout his career, the equal treatment of women, so that we no longer speak of widow's pensions, but of spouse's pensions, the central solidarity fund to safeguard the rights of employees should an employer go out—of business, but I should be happy to explain these matters to Mr. Sloan personally.

Finally, it would be wrong to assume that the MAA plan is simply a vehicle for contracting-out. Certainly it offers the machinery for contracting-out to many employers who would otherwise be prevented from taking up this option. There are important categories of members whom we recommend should be contracted-in. As an association our aim is to provide a range of possibilities for member companies, each aimed at minimising costs to employers and employees, while offering maximum flexibility to employers. As a voluntary association we were naturally pleased to learn that our efforts on behalf of our members could be of general interest. We persisted in a central industry wide scheme when many other trade associations decided to abandon their projects to do likewise. The sheer file of constantly changing legislation on pensions has made this task extremely difficult. It is hoped that other associations will take heart from our experience.

J. R. Boast.
201, Great Portland Street, W.1.

To-day's Events

Two-day meeting of European Council (summit) opens, Brussels.

Wholesale price index (November, provisional) published by Department of Industry.

EEC Fisheries Council begins two-day meeting, Brussels.

Government and Manpower Services Commission jointly publish document proposing new programme to identify and deal with shortages of skilled labour.

General Agreement on Tariffs and Trade (GATT) textiles committee discuss renewal of Multi-Fibre Arrangement, due to expire on December 31, Geneva.

Sir David Steel, chairman, British Petroleum, adresses Insurance Institute of London on "The Evolving Role of the Oil Companies," in Hall of Chartered Insurance Institutes, 20, Aldermanbury, E.C.2, 5.30 p.m.

CBI Northern Regional Council meets, Newcastle.

Air Commodore Sir Peter Vanneck, Lord Mayor of London, attends City University Graduation and Installation Day ceremony, Guildhall, E.C.2.

Royal Smithfield Show opens, Earls Court (until December 9).

PARLIAMENTARY BUSINESS

House of Commons: Debate on Crown Agents Amendment of Units of Measurement (Hydrocarbon Oil, etc.). Local Loans (Increase of Limit) No. 2 Order. Code of recommendations for welfare of livestock (sheep).

COMPANY RESULTS

London and Overseas Freighters (interim figures). Matthew Hall and Co. (half-year).

BLACK DIAMONDS PENSIONS LIMITED
(A company wholly owned by the National Coal Board Pension Funds)

Offer for the Ordinary Shares of THE BRITISH INVESTMENT TRUST LIMITED

Black Diamonds Pensions Limited will not declare the Offer unconditional until after 3 p.m. on Monday, 12th December, 1977 so that accepting Ordinary Shareholders will, in the event of the Offer being declared unconditional, retain the advantage of the alternative Offer terms during the whole of the Offer period.

In the event of the Offer becoming unconditional accepting Ordinary Shareholders will be entitled to receive for each of their Ordinary Shares of The British Investment Trust Limited:

a guaranteed minimum cash price of 165p

or,

if the formula value is higher on 12th December, 1977 and the Offer is declared unconditional,

a higher cash amount.

- **165p is the highest price paid by Black Diamonds Pensions Limited for Ordinary Shares of The British Investment Trust Limited.**
- **The market value of the Ordinary Shares of The British Investment Trust Limited on 23rd November, 1977* was 145p xd.**
- **Wood, Mackenzie & Co., stockbrokers, have estimated the values of the Offer at the close of the first dealing day of each of the six months preceding the announcement of the Offer. These produce an average premium over the middle-market values of the Ordinary Shares of The British Investment Trust Limited on those dates of more than 25 per cent.**

The Board of Black Diamonds Pensions Limited and its financial advisers, S. G. Warburg & Co. Ltd., remain firmly of the opinion that the Offer is generous and attractive, particularly so following the inclusion of the guaranteed minimum cash price of 165p per Ordinary Share.

The Offer will close at 3 p.m. on Monday, 12th December, 1977 and cannot be extended. Ordinary Shareholders who wish to accept the Offer should therefore note that the final time for acceptance is 3 p.m. on Monday, 12th December, 1977 and are accordingly strongly urged to accept without delay.

*The day before the announcement of the guaranteed minimum cash price in the Press.

This statement has been issued by S. G. Warburg & Co. Ltd. on behalf of Black Diamonds Pensions Limited. The Board of Black Diamonds Pensions Limited has taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate and all the Directors jointly and severally accept responsibility accordingly.

COMPANY NEWS

Muirhead order books at record levels

In his annual statement, Sir Raymond Brown, the chairman of Muirhead, says that order books are at an all-time record, double those at the end of last year, and provided stable economic conditions prevail turnover and profit in the current year is expected to show a substantially larger growth.

As reported on November 17, turnover rose from £16.5m. to £17.8m. for the year to September 30 and pre-tax profits were at a record £1.6m. (£1.45m.).

Direct overseas turnover, including £7.2m. of direct exports from the U.K., accounted for 53 per cent. of turnover. Including an estimated £3m. of indirect exports, nearly 70 per cent. of turnover was sold overseas.

Meeting, Hyde Park Hotel, S.W., on December 22, at 11.15 a.m.

● comment

Muirhead's growth stock image became tarnished last year when profits rose by only a tenth on sales 6½ per cent. higher. But the group faced some special difficulties; the U.S. operation was restructured, the introduction of a new range of document facsimile equipment suffered a setback and there were delays in Government orders, particularly for defence contracts. Yet now it sounds as if Muirhead has ironed out most of its problems and is ready to polish up its image. Orders on hand are double those of a year ago and the forecast is for substantially larger growth in both turnover and profit. Evidently the Board is embarking on substantial re-equipment plans and despite a strong cash flow—£1¼m. last year—they might be tempted to come forward with a rights issue. Net debt rose by £1m. in 1976-77 to the equivalent of a third of shareholders' funds. Meantime the rating has an eye to the future with the p/e at 12.4 at 170p and the yield equal to 3.3 per cent. covered over 3½ times.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims: Atkins Bros. (Hosiery), Bremner, Carclo Engineering, Dawson International, B. Elliott, Matthew Hall, Mitchell Somers, W. E. Norton, Alfred Preedy, Vinten Group, WGI, Thomas Warrington, Whitecroft, Ben Williams.

Finals: Davenports Brewery, Frederick W. Evans, Nottingham Brick, Samuel Osborn.

FUTURE DATES

Interims—	
Austin (E.) (London)	Dec. 8
Bambergers	Dec. 8
Beechwood Construction	Dec. 15
Braham Millar	Dec. 7
Greene King	Dec. 16
Ingram (Harold)	Dec. 8
London Merchant Securities	Dec. 8
Moorgate Investment	Dec. 13
South Crofty	Dec. 13
Stonehill	Dec. 8
Waddington (John)	†Dec. 12
Ward and Goldstone	Dec. 12
Woodhead (Jonas)	Dec. 8
Finals—	
Grootvlei Proprietary Mines	Dec. 8
Guinness (Arthur)	Dec. 14
Lee (Arthur)	Dec. 14
Marievale Consold. Mines	Dec. 8
Wearra	Dec. 8

† Amended.

SE to issue new statistical letters

A new series of statistical letters is to be published by the Central Statistical Unit of the Stock Exchange. The letters will provide technical background material of interest to research and statistical departments making use of the statistical reports published by the Unit.

The main aims of the letters are: to describe the sources of information used for compiling statistics; to define clearly the classifications employed; to provide additional explanations of the material appearing in CSU publications and internal reports; and to make clear any significant assumptions employed in producing the published figures.

£88,401 from Somic so far

Sales up from £809,104 to £1,028,883 and taxable profits ahead from £80,643 to £88,401 are reported by kraft paper spinners and weavers, Somic, for the six months to September 30, 1977. Tax took £45,968 against £41,943.

The directors state that available evidence indicates that the present levels of activity should continue to the year end.

Earnings per 25p share are stated at 2.122p (1.935p) and the interim dividend is held at 0.8662p net. Last year's final payment was 1.4566p from profits of £205,476.

FT share information

The following security has been added to the Share Information Service appearing in the Financial Times:—

AMP Incorporated (section Overseas—New York)

SLOUGH ESTATES

In connection with the offer for Yorkshire and Pacific Securities in March 1969, a further 109,683 shares of 25p each ranking pari passu with the existing Ordinary shares have been issued by Slough Estates in exchange for 21,757 shares of no par value in Slough Estates Canada.

Terry Kirk

Mr. Basil Mavroleon, the chairman of London & Overseas Freighters. Interim figures are due to be announced to-day.

Triplex Foundries in strong position

IN HIS interim statement, Mr. R. Harrison, the chairman of Triplex Foundries Group, says that the future is more difficult to predict than ever but he is sure that the company will stay in a very strong position.

As reported on November 25, pre-tax profits rose from £915,992 to £1.08m. for the six months to September 30 on turnover of £15.29m. (£12.81m.).

Mr. Harrison reports that the foundries division has again done very well. It has not been a particularly easy period, with demand having somewhat of an irregular pattern. The re-equipping of the grey iron and malleable foundries continues.

The aluminium pressure die-casting section having acquired a new 1,200 ton machine is now embarking on a further programme to meet any upsurge in demand. However, margins must be improved to take account of the high cost of raw materials and equipment in the aluminium section.

The engineering division is still suffering from setbacks in certain parts and despite the Government decision that monies will be released for the construction industry, the group has not seen any benefit in the order book of Hale and Hale Engineers. The directors are not worried about the long-term future of this company, but do not expect an immediate improvement.

E. D. Hinchliffe and Sons, although having a large order book at present has experienced a retardation of profits due to the fact that many projects have been delayed by customers, particularly in the public sector. Mr. Harrison is confident, however, that it will maintain its position as a leading manufacturer of purpose made aluminium windows, doors and curtain walling.

The other companies on the engineering side have done well, he adds.

Oil & Assoc. revenue rise at six months

Gross revenue of Oil and Associated Investment Trust for the six months to September 30, 1977 rose from £201,000 to £214,000 and net revenue emerged as £160,000 compared with £79,000 after tax of £62,000 against £50,000. Management expenses and interest in the Debenture and Loan Stocks fell from £41,000 to £18,000.

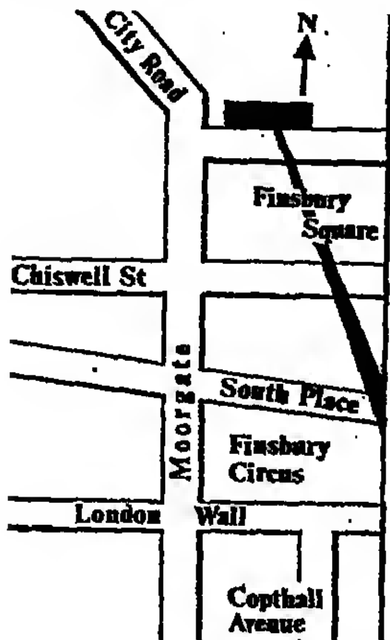
The interim dividend is stepped up to 0.5775p net per 25p share, compared with 0.56875p last time. Last year's final was 1.38125p and net revenue £156,439.

Net asset value per share including the full dollar premium at September 30 is shown as 81p, and 79p fully diluted.

SIMCO MONEY FUNDS
(Saturn Investment Management Co. Ltd.)

Rates of deposits of £1,000 and upwards for w/e 4.12.77

7-day Fund	% pa.
Mon.	4.004
Tues.	4.147
Wed.	4.372
Thur.	4.461
Fri./Sun.	4.411
3-Month Fund	
Wed.	6.625



SONALI BANK
Bevis Marks House
Bevis Marks
London EC3A 7JB

Re: Change of Address

Please note our new address as from 5th December, 1977:-

P.O. Box 29, 16 Finsbury Square, London EC2P 2HE

(nearest Tube Station - Moorgate)

NEW Telephone No: 01-588 1991

Should a Rating Surveyor negotiate with the Inland Revenue about your rating assessment, or would you prefer to?

Sometimes the rates you're asked to pay aren't the rates you need to pay.

On such occasions, a professionally prepared approach to the Inland Revenue, or an appeal to the local Valuation Court, can well result in a significant reduction.

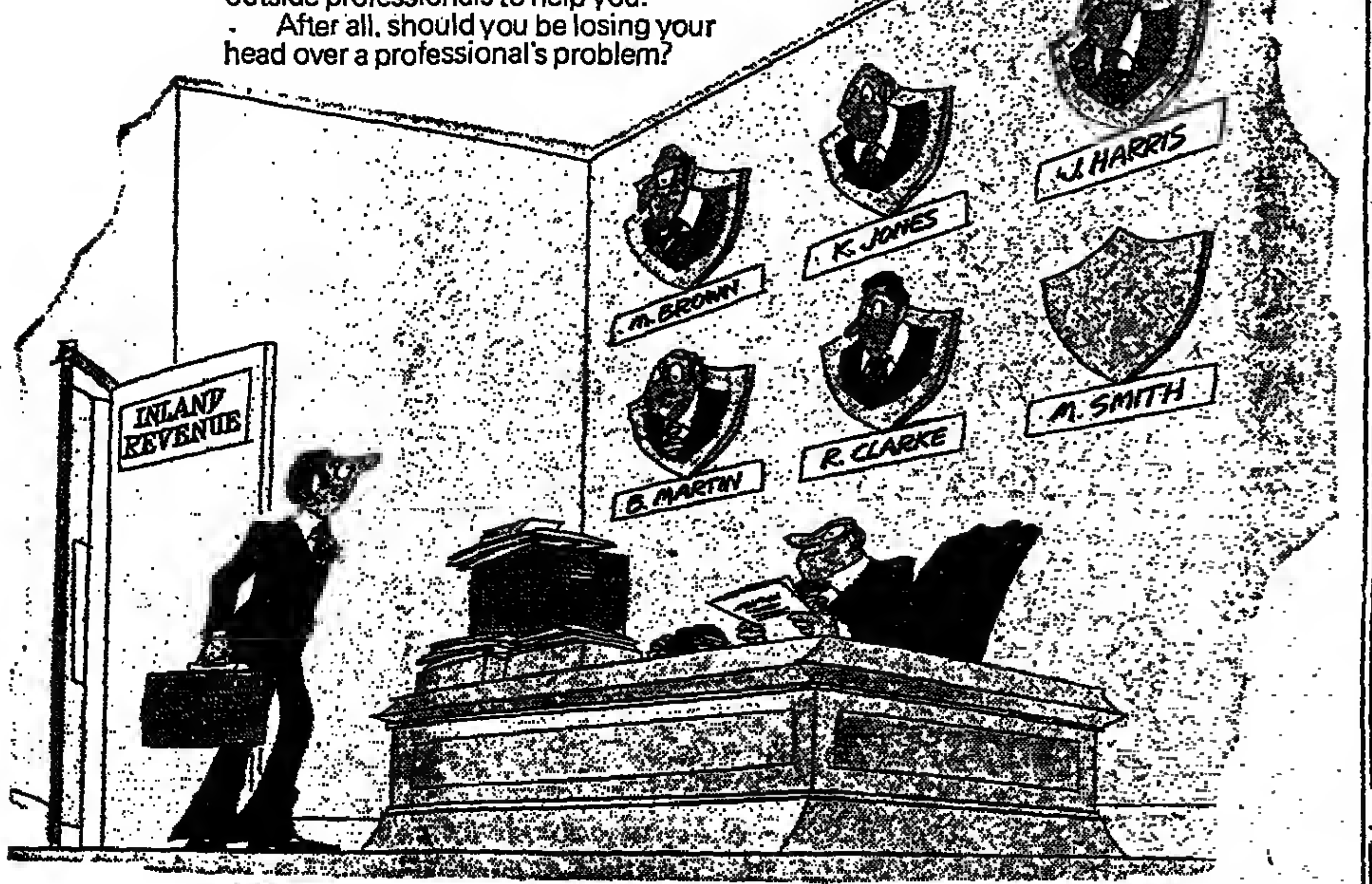
Indeed, if you have Empty Rates, and possibly Penal Surcharge, to contend with, early advice may be essential.

When faced with such problems, many of the country's largest property owners and occupiers rely on St. Quintin, Son & Stanley, knowing that we have nearly 150 years of property experience.

Clients also find it an advantage to deal with a company experienced in investment, planning, management and development; building surveying and all aspects of estate agency work – especially since we can provide a service throughout the U.K. as well as, from our Brussels office, the whole of Europe.

If you are responsible for any of these complex matters, you'll know the benefits of using skilled, outside professionals to help you.

After all, should you be losing your head over a professional's problem?



St Quintin Son & Stanley
Chartered Surveyors.
Vintry House, Queen Street Place,
London EC4R 1ES.
Telephone: 01-236 9961. Telex: 8812619

and at 1a Park Place, Leeds 1. Telephone: 0532 460235.

St Quintin
rue Joseph II 36-38,
1040 Brussels. Telephone: 010 322 219 32 88
Telex: 61182.

NEWS ANALYSIS — LIFE BUSINESS

Sign of decline in new life business growth

BY ERIC SHORT

EVERY YEAR since the war, life companies have with monotonous regularity, reported record new business figures although much of the credit for this growth belongs to inflation. But this year could well see an end to this trend, or at least a dramatic decline in growth, if the new business figures of Standard Life Assurance, published to-day are an indication of the general pattern.

Standard Life, the largest life company in Scotland, closes its books on November 15 to facilitate the preparation of statutory returns on its Canadian business by the end of the year. This is in contrast to most other life companies which operate on a calendar year basis. But it does enable analysts to judge the overall new business pattern for the life assurance industry ahead of the year-end.

The company's new business figures are again a record with annual premiums up by 4.8 per cent. to £38.85m. and single premiums by 22 per cent. to £27.58m. This in itself shows that while single premium growth has been satisfactory this year, annual premium business is well behind even salary inflation, with consequent pressure on expenses. But a closer analysis of the new business figures reveals that some sectors have done exceptionally well this year, while others have virtually marked time.

The new annual premiums in ordinary individual life business only rose by 4.9 per cent. to £12.42m. due to a fall in the company's mainstay—endowment assurance policies to cover building society mortgages. Annual premiums this year on this business amount to £6.37m. against £6.59m. last year. Standard Life is a leading company in this field, though it has in the past two or three years attempted to diversify. Many other life companies rely heavily on the house purchase market for their business and could be showing nil growth for 1977 if Standard Life's experience is typical.

The other interesting feature of the figures is a 22 per cent. rise in premiums for term assurance business. The company's agency staff state that their experience is that investors are feeling a shortage of surplus cash and are buying life protection, which is cheap, rather than going for savings contracts. Other life companies are privately indicating a similar selling experience.

The marketing success story for Standard Life this year is in individual pension business for senior executives and in self-employed pensions business. On the first category, the company has experienced a 164 per cent. jump in annual premiums to £1.42m. and a 117 per cent. rise in single premiums to £0.9m. Many life companies have been indicating that this has been a most successful market this year. An individual pension arrangement is a most tax efficient means for senior executives to accumulate tax free sums as well as provide pensions. Life companies could well be looking for most of their growth in the next few years from this market.

Standard Life has only recently made any serious attempt to be a major force in the self-employed market, having preferred to concentrate on group pensions business. Its growth in annual premiums last year was only ... cent. to just under £1m. ... single premiums rose by ... cent. to £1.82m. This is a competitive market, but ... ing life companies in the ... could well report dram... creases this year.

On the company pension... Standard Life is the larg... company after Legal and ... and Prudential. But the ... stream pensions business ... marking time while ... make up their minds on ... to stay in the new State ... starting next April or contr... Premiums on group pensi... ness increased marginally ... year to £16.1m. from £15... increase coming mainly fro... rating of existing benefits ... for salary rises. But the co... is looking forward to a ... growth in business in ... The pattern emerging ... Standard Life's figures ... future growth is going to ... from the pensions side, both ... pany and individual, while ... ary life business remains ... paratively static. Unfortun... Standard is not in the unit-li... life market so one is not ab... confirm the pattern seen ... in this industry this yea... rapidly rising sales.

NEW SUMS ASSURED AND ANN...

	1977 £	
Ordinary life business	919,204,698	[illegible]
Group life business	416,428,164	[illegible]
Total	1,335,632,862	[illegible]
Annuities p.a.*	127,245,756	[illegible]
NEW PREMIUM INCOME		
Annual premiums p.a.	38,851,623	[illegible]
Single premiums	27,576,742	[illegible]

* Immediate and deferred including ...

Small surplus for Phillips Patents

With turnover up some 30 per cent. to £1.86m., Phillips Patents (Holdings) reports a turnaround from a £66,841 loss to a profit of £983 for the half year to August 27, 1977. Again no tax is payable. For all of the previous year a £66,264 taxable surplus was achieved.

Mr. J. A. Rowland-Jones, the chairman, states that the second half continues to show some slight improvement and should the trade take its often forecast upturn, the company should, with its new and refurbished machinery, be in a position to take advantage of any increased business.

The chairman adds that to finance increased turnover and the refurbishment of some larger machines and yet to stay within bank overdraft facilities has been difficult and therefore, the directors have again decided not to pay any Preference dividend —the last payment on the Ordinary 25p shares was 1p net in respect of 1974-75.

Half year results exclude a small loss arising from the group's property development companies and comprise of interest payments that have been made on expenditure on certain work sites. Mr. Rowland-Jones says that the situation has improved slightly in that interest is being shown, by various companies, in parts of the group's land holdings.

The principal activities of the group are as manufacturers in rubber and allied materials of components for the footwear and certain other industries.

W. Williams

On turnover ahead £0.52m. to £3.94m. the taxable surplus of W. Williams and Sons (Hold...) slumped from £125,000 to ... for the first half of 1977. T... following June has ... however, and the director... cast full year profit similar ... £167,090 of 1976.

The interim dividend per share is kept at 0.5p net, ... £3,223 (£12,150) after waive... certain directors on 785,313 ... amounting to £3,927—last ... final was 0.5p.

Brasilvest S.A.
Net asset value as of 30th November, 1977
per Cr$ Share: Cr$20.51...
per Depositary Share: U.S.$12,198.76
per Depositary Share (Second Series): U.S.$11,455.39

BLACK DIAMONDS PENSIONS LIMITED
Offer for the Ordinary Shares of
THE BRITISH INVESTMENT TRUST LIMITED
The Offer closes at 3 p.m. on Monday, 12th December, 1977
SEE PAGE 33

This statement has been issued by S. G. Warburg & Co. Ltd. on behalf of Black Diamonds Pensions Limited. The Board of Black Diamonds Pensions Limited has taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate and all the Directors jointly and severally accept responsibility accordingly.

SCAPA GROUP
INTERIM REPORT

Half year to 30 September	1977 £000's	1976 £000's
Sales	25,326	20,419
Profit before taxation	3,399	3,111
Taxation	1,723	1,535
Interim Dividend	2.44125p	1.9p

Payable 28 January, 1978

All the divisions of the Group attained an increase in turnover against a background of patchy trading conditions in some areas.

In the United Kingdom the paper-machine clothing division experienced a narrowing of its margins, particularly in export business, but significant progress has been made in the industrial textiles division which contributes an increasing proportion of Group sales.

The North American companies have done well, and despite the turnround in the relationships of the currencies involved, have returned an increased profit in sterling terms.

Trading in world-wide markets continued to be an essential part of Group activities and U K exports were increased.

It has been customary for the Group's performance in the second half of the year to exceed that of the first half and the Directors at present see no reason why this pattern of trading should not recur this year.

In line with the forecast at the time of the Rights Issue announced June 1977 the Directors intend to recommend a Final Dividend of 3.0p per share payable in August 1978.

Scapa Group Limited, Cartmell Road, Blackburn, Lancs. BB2 2SZ

SPOONER INDUSTRIES LIMITED

SUMMARY OF RESULTS

	Year ended 30th Septem... 1977 £	1976 £
Turnover	10,101,000	9,427,0...
Profit before taxation*	825,432	489,...
Earnings per share*	9.53p	...
Dividends per share	2.641p	2....

* Before exchange losses (1976: profits)

1976/1977 was a successful year's trading resulting in the highest profits in the history of the Company. The Board is confident of a further increase in profits for 1977/78.

The Dividend recommended for 1976/77 is the maximum permissible but the Board intends to recommend a substantially greater dividend when legislation permits.

Annual General Meeting will be held at Ilkley on 2... February, 1978.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Basildon (0268 22881)	10½	½-year	10,000	7-10
Knowsley (051-548 6555)	10¼	½-year	1,000	4-7
Redbridge (01-478 3020)	10	½-year	200	4-7
Sandwell (021 569 2226)	9	½-year	1,000	3
Sandwell (021 569 2226)	9½	½-year	1,000	4-6
Thurrock (0375 5122)	9¾	½-year	300	4
Thurrock (0375 5122)	10	½-year	300	5-7

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 9.12.77.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	8½	9½	9¾	10	10½	10½	10¾	11

Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England a/c FFL". FFI is the holding company for ICFC and FCI.

HERMAN SMITH LIMITE...

The following is an extract from the circulated statement of the Chairman and Managing Director, Mr. Herman G. S...

The trading profit for the year ended 30th June, 1977, £58,174, subject only to tax, which compares with £238,6... the previous year. The value of direct exports from the ... increased by 41% to £356,304. All the operating subsidiaries ... your Group encountered severely adverse trading conditions ... regrettably, it was necessary to match lower levels of work ... with a reduction in our work force of 23%. The financial cost ... this was substantial and is included in the accounts.

HERMAN SMITH (MACHINING) and HERMAN SMITH (AERO SERVICES) have become progressively interwoven ... their activities and it has been decided to amalgamate them ... a new, wholly owned, subsidiary company, Herman Smith (Pr... cision Engineers). Orders and delivery programmes have shown a substantially improved trend in recent months. I believe ... the improvement will continue and expect better results this year.

HERMAN SMITH (ELECTRICAL ENGINEERS) has shown an improvement. Aggressive marketing has improved the level of contracts on hand, despite fierce competition.

HERMAN SMITH (SPECIAL PRODUCTS) operates a self-contained unit designing, manufacturing and selling ... range of in-flight catering equipment to airlines, throughout the world. Trading results were satisfactory but competition for available business is particularly intense.

HERMAN SMITH (PRESSWORK) achieved reasonable results in view of the slack demand in the autumn of 1976. Prospects for the current year are encouraging.

GENERAL. The difficulties of the year have been contained and profits of £94,112 earned in the second half. The forward order position and prospects of your Group have improved and I feel sure that your Group will show improved results this year.

Copies of the Report can be obtained from the Secretary, Cinderbank Works, Dudley, West Midlands DY2 9AH.

[illegible]ending dividends [illegible]metable

[Left-edge strip: partial columns of the facing page, cut off at the margin — dividend timetable, Public Works Loan Board rates, Recent Issues (Equities, Fixed Interest Stocks, "Rights" Offers) and Base Lending Rates tables: illegible]

INTERNATIONAL COMPANY NEWS

Sony reckons earnings can increase by a tenth

TOKYO, Dec. 2

SONY CORP. said it expects to report soon a 10 per cent. gain in its consolidated net income and revenue for the year ended October 30 over the previous year's Y30.69bn. and 463.53bn., respectively.

President Kazuo Iwama told reporters that definite figures will be announced later this month, but added that revenue is expected to have topped the Y500bn. mark for the first time.

Sony sold about 300,000 home-use video tape recorders during the year, 17 per cent. of total sales, compared with the previous year's 11 per cent., he said.

Mr. Iwama said business prospects for fiscal 1978 ending next October are still fluid as the sharp Yen appreciation may effect its export business, which now accounts for 60 per cent. of total sales.

Mr. Kazuo Iwama said that he hopes to strengthen Sony's overseas colour television production and step up purchases of locally-made components as a step towards overcoming the Yen appreciation.

He told reporters here that Sony's U.S. subsidiary factory in San Diego is now building colour TV sets at the rate of 400,000 a year.

The company plans to double its sales of video tape recorders to 600,000 sets in the next fiscal year from this year's level, he said.

Skis Rossignol issue

PARIS, Dec. 4.

SKIS Rossignol, the first manufacturer of snow skis ahead of the Austrian company Fischer, has pushed first half 1977-78 profits ahead by 30 per cent. and proposes a one-for-six scrip issue.

The scrip issue will raise nominal capital to Frs.31m. Consolidated profits for the half-year to September rose to Frs.39.3m. from Frs.30.2m., thanks to a world market share in snow skis that extends to more than a fifth.

The group comprises ten subsidiaries, seven of which are outside France. The company has production facilities in Switzerland, Spain and Italy as well as four manufacturing units in France.

In recent years Rossignol's growth has been impressive underpinned by an agressive push for a greater share of the world market for snow skis. It produced less than 1m. pairs of skis in 1975-76 and expects to have an output of more than 2m. by 1980.

Reuter

Sale by VS Services

TORONTO, Dec. 4.

VS SERVICES has approved the sale of its 70 per cent. interest in Apetito-Fertigmenu of West Germany to West Germany Interests for $6.4m. The company said the sale would result in a gain of $1.6m.

VS Services said proceeds of the transaction will enable the company "to step up our Canadian expansion programme and perhaps look into new domestic markets."

AP-Dow Jones.

Linde reports profits growth

WIESBADEN, Dec. 2.

GROSS EARNINGS of the Linde AG group were up 11.6 per cent. to DM292.2m. in the first nine months, compared with 261.8m. in the corresponding period of the previous year. Sales were DM1.157bn. up 10.1 per cent. from 1.051bn. in the 1976 period, the company said in an interim report.

The report said that the company expects an 8 per cent. gain in sales for the year and a satisfactory profit. In all of 1976, Linde reported gross earnings after material and labour costs but before reserves and taxes of DM367.8m. on sales of DM1.554bn. Net profit was DM31.2m. in 1976.

Capital spending in the first nine months totalled DM64m. For the whole year, capital spending is expected to reach DM100m. against DM81m. last year.

MONEY MARKET

Money and Exchanges

Bank of England Minimum Lending Rate 7 per cent.
(since November 25, 1977)

A slight air of mystery seemed to surround some aspects of the London money market last week. Rumours abounded in the early part, most of which proved to be erroneous, and at the same time some market observers were not altogether in agreement with one or two reasons given for monetary movements and market factors. Later in the week the market was expected to be awash with funds but it did not turn out that way, although the money was apparently in the system but it was not too clear exactly where. It was suggested that those with money may have been reluctant to lend at the low rates prevailing in the market, given the recent sharp turn-round in interest rates, but not everyone was in agreement with this hypothesis.

The market remained very nervous on Monday, Tuesday and early on Wednesday, with discount houses buying rates for three-month Treasury bills pointing towards a small further rise in Bank of England Minimum Lending Rate. Under these circumstances, however, a rise of at least 1 per cent. was expected unless there was some move from the authorities. This came on Wednesday morning, when the Bank of England gave a direct message that it did not wish to see a further increase in MLR.

Conditions then became much calmer, but there remains a substantial degree of uncertainty as to the future direction of interest rates, and this is graphically illustrated by the wide range of base lending rates and deposit rates quoted by the clearing banks.

Although trading became more stable later in the week, there is still little evidence that the market expects MLR to settle at 7 per cent. for a long period. Perhaps this is because of the nervousness created by the events of the previous week, when many people deeply involved in the market were taken by surprise by the sharp rise in MLR, even though it had been widely forecast in some parts of the Press and elsewhere, or it may be simply that the market has become so used to constant movements in the rate structure that it finds stability hard to believe in.

The record U.S. trade-deficit in October proved the major factor in the foreign exchange market last week, since it was much higher than generally expected, even though the figures were distorted by the U.S. dock strike. The German D-mark touched a record level of DM2.21 against the dollar, when the trade figures were announced on Monday, with the Swiss franc rising to a best ever SwFrs.2.14. The Japanese yen was less affected however, probably reflecting the Bank of Japan's earlier determination to defend the dollar/yen rate at the Y240 level.

Although the dollar was slightly firmer over the next few days in fairly quiet trading, it fell quite sharply against the stronger European currencies on Friday.

The Swiss franc rose to a new record of SwFrs.2.1325, and closed at SwFrs.2.1345, compared with SwFrs.2.1582½ at the end of the previous week. The D-mark touched DM2.2015 in terms of the dollar, before closing at DM2.2055 compared with DM2.2170 a week before, but the yen was slightly easier on the week at Y242.40 compared with Y239.90 previously.

Pressure built up again on the weaker members of the European currency snake, following the D-mark's advance, and the central banks in Belgium, Denmark and Norway intervened to prevent their respective currencies from falling outside the permitted limits of the joint float agreement. On Friday the Belgian Bank Rate was raised to 7 per cent. in an attempt to alleviate the pressure on the franc.

Sterling was slightly firmer, gaining 20 points against the dollar to $1.8200-1.8210, while its trade-weighted index rose to 63.3 from 63.2.

Gold rose $½ to $158¾-159.

Dec. 2 1977	Sterling Certificate of deposits	Interbank	Local Authority deposits*	Local Auth negotiable bonds	Finance House Deposit	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	2-6	—	—	—	5⅝	3-5½	—	—	—
2 days notice	—	—	6½-5⅝	—	—	—	—	—	—	—
7 days or 7 days notice	—	6¾-6	6⅝-5⅞	—	6-6⅜	6¼	6⅝-5½	—	—	—
One month	6⅛-6¼	6½-6½	6-6¼	7¼-6⅝	6⅝-6⅝	6⅝	6-6⅛	6⅝-6½	6⅝-6⅝	7¼
Two months	6¾-6⅝	6⅝-6⅞	—	7¼-6⅝	6¾-7¼	—	6¼-6⅝	6½-6½	6⅝-6⅝	7⅝
Three months	7-6⅞	7-7¼	6¾-7	7¼-6¾	7⅛-7½	7½	6⅞-6½	6⅛	6⅝-6½	7⅛-8
Six months	7⅝-7⅞	7¾-7⅞	7⅛-7⅝	8¼-7¾	7⅝-8¼	—	—	—	7⅝	7¾-8
Nine months	7⅞-7⅞	7⅞-8⅛	—	8⅜-7¾	8¼-8½	—	—	—	—	—
One year	8⅛-7⅞	8-8¼	8¼-8½	8½-7¾	8⅝-9	—	—	—	—	—
Two years	—	—	9⅛-9⅜	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rates nominally three years 10½-10¾ per cent.; four years 11¼-11½ per cent.; five years 11½-11¾ per cent. ♦ Bank bill rates in table are buying rates for prime paper. [illegible]

FOREIGN EXCHANGES

[illegible]

OTHER MARKETS

[illegible]

GOLD MARKET

[illegible]

EXCHANGE CROSS-RATES

[illegible]

FORWARD RATES

[illegible]

EURO-CURRENCY INTEREST RATES*

[illegible]

CURRENCY RATES

[illegible]

MINING NOTEBOOK

Mr. Upham's computers sound an alarm

BY LODESTAR

LAST MONDAY I put forward the views of two Australian mining chiefs on the thorny question of the declining attractions for investment in the industry and the way in which the fiscal policies of governments were at least partly to blame.

Now, a similar charge has been made in Canada by Mr. "Merv" Upham, well-known on this side of the Atlantic from his former role as Selection Trust's chief consulting engineer.

Wearing his Mining Association of Canada hat, Mr. Upham detailed the results of computer projections tending to show that it barely pays to develop a mine in to-day's conditions.

For four copper producers in various parts of the country, taking copper at 70 cents a pound, computer models indicated that not one of them yielded an acceptable rate of return while tax took between 40 and 50 per cent. of net cash flow, rising in Manitoba and Ontario to 60 and 57.2 per cent., respectively, at a metal price of 85 cents.

These analyses demonstrated, Mr. Upham said, that the industry together with the federal and provincial governments with their conflicting fiscal policies had a lot of work to do on all aspects of mine performance in order to bring present producers, as well as potential new ones, into an area where they can generate an acceptable return on investment.

Both layers of government should put more of their tax revenues into infrastructure to service remote mining communities. He was encouraged, however, that some moderation of attitudes and perception was beginning to be shown particularly in British Columbia.

On the subject of capital cost inflation, Mr. Upham reckoned that expenditure to find and develop new mines in Canada had tripled in the last 20 years. The cost of bringing a medium-size mine in production would be between $50m. and $100m. (£40m. and £50m.) exclusive of infrastructure. In the late 1950s, the figures would have been between $25m. and $30m.

Longer term, Mr. Upham was not altogether despondent. He saw particular opportunities for expansion in uranium, coal, potash and asbestos. The value of world primary demand for minerals to the year 2000 at constant 1968 dollars had been estimated to grow over the next 23 years at a compounded rate somewhere between 226 and 342 per cent.

So it was essential that conditions be created whereby production could be greatly expanded.

Platinum price

As foreshadowed here on November 14, the world's biggest platinum producer, South Africa's Rustenburg, has duly raised its selling price for the metal from $162 to $175 an ounce. But it has so far not been followed by either Impala or Inco. Will the rise stick? Friday's open market fixing price in London was $173.25. Trade sources were reasonably optimistic.

The Japanese were reported to be still buying at up to $175 to supplement their contractual allocations from South Africa. The Russians, the free market's main source of metal, were said to be still in difficulties in finding supplies for export and were rumoured to remain a buyer in Switzerland.

All in all, it looks as though Rustenburg chief, Sir Albert Robinson, reckons that the 10 to 20 per cent. production cutback that this mine is instituting will do much to balance supply and demand.

And if the higher price does indeed stick this could mean brighter days ahead for earnings despite the reduced output. So platinum shares could well regain some of their lost shine in 1978.

Randfontein with an above expectations 200 cents final got the South African gold mines' half-year dividend season off to a good start. Some individual estimates were given here last Monday. Subsequently, West Rand shares attracted some speculative interest to the accompaniment of talk about a dividend surprise.

What will actually be forthcoming from this State assisted gold-uranium producer depends very much on the management's view of 1978 sales prospects for the nuclear material, now the main source of revenue.

Optimists should also remember that the deferred shares rank for a quarter of distributed profits. So hopes should not be pitched too high although estimates range up to 20 cents which would compare with the modest interim of 3 cents and 5 cents at this time last year.

A query has also come in about Blyvoor's interim possibilities. They are not very exciting. Distribution prospects in the year to next June are being dampened by continued capital expenditure requirements.

So the general expectation is for no more than 25 cents the same as in June and comparing with 21 cents a year ago. Shareholders should begin to see the real rewards from the new uranium plant in 1978-79 when capital outlays should also start to diminish.

Endeavouring

Remember Endeavour Oil? Well, it is now Endeavour Resources. Quite a chunk of this Australian explorer's capital is held on this side of the world.

The shares at 9p have crept up a little lately. This is in anticipation of chairman Eric Webb giving some hopeful news of prospects at the meeting in Melbourne on December 15. And I gather that the company now has a fair amount of cash in the kitty despite the under-subscription of the rights issue earlier this year.

Endeavour has a mine in New South Wales, barites operations in Thailand and Singapore, an interest in a Victoria quarry and spreads its wings as far afield as oil production in Texas.

In exploration, it is active in the Australian oil search; it is also looking for oil in Egypt, Papua-New Guinea and the Philippines; it has a stake in Amax's Parrestania nickel prospect in Western Australia; it has found copper and gold in Indonesia; and, needless to say, it is also in the uranium hunt.

So Endeavour is certainly living up to its name. But the shares tend to be sluggish movers with nearly 37m. in issue. Also, a capital reconstruction has to be faced to write off accumulated losses of £14.4m. But this should be a fairly painless operation whatever way it is done.

INSURANCE

Hotel fire protection taking much longer than predicted

BY OUR INSURANCE CORRESPONDENT

MORE than six years ago, at the end of May, 1971, the Fire Precautions Act became law. Its object was to improve the safety of four main groups of premises —hotels and boarding houses; hospitals and residential institutions; theatres, cinemas, dance halls and clubs and educational establishments.

The Act requires the inspection and certification of such premises. The occupier has to apply to the local fire authority for a certificate and then has to install such protective devices and make such internal structural changes as the authority's inspector requires, before the certificate is issued.

In March, 1972, several orders and regulations were promulgated, particularly in connection with hotels and boarding houses. Since the summer of that year, the inspection and certification procedure detailed in the Act has been applicable to hotels and boarding houses where sleeping accommodation is provided for more than six people (it does not matter whether they are guests or employees) or any sleeping accommodation is provided above first floor or below ground floor levels.

Over the intervening five years, hoteliers have learned that it is a simple task to apply for certification but a much more difficult one to get their premises inspected.

The fire authorities' inspectorate is far too thin on the ground.

Some astonishing figures were mentioned mid-week in a Lords debate by Viscount Long. Their accuracy was not challenged by Government peers.

According to Viscount Long, there are some 37,000 small hotels and guest houses throughout the U.K. and about 82 per cent. have applied for certification. Fifty-two per cent. of these have been inspected. Only 40 per cent. have been issued with certificates so far.

At this slow rate of progress, it seems we shall be into the 1980s before all hotels and boarding houses are adequately protected and properly certificated. The exercise will have taken a great deal longer than even the most pessimistic critics of the Act predicted in 1972.

The law is clear that the hotelier, who has failed to apply for a certificate, is carrying on his business unlawfully, and in doing so is risking prosecution, fine and/or imprisonment.

Once he has applied for his certificate, he is, so to speak, legally in the clear until he has been visited by the inspector and has received the inspector's requirements for improvements.

Then he has to decide whether to implement those requirements, perhaps with the help of a local authority loan, or simply to go out of business.

Failure to implement the requirements carries in its trail the ultimate sanction of forced closure.

Insurers are concerned with the implementation of the Act and the risk improvement it ensures, primarily from the fire and public liability aspects.

As it is a fundamental insurance rule that cover shall not be provided for breaches of the criminal law, insurers ought to be refusing cover to hoteliers who have not sought certificates or who have not implemented an inspector's requirements in due time.

Beyond this, it seems basic underwriting good sense that, following their own surveys of as yet uncertificated premises, insurers should be charging above average rates of premium unless they are satisfied that the fire authority's inspector, when he gets round to the particular risk, will accept it as it stands and issue his certificate.

My impression is that insurers have not yet taken any firm underwriting line in either situation, principally because they have been hoping that enforcement of the Act would be more expeditious.

Considering the time being taken to deal with hotels and boarding houses under the Act, one can only stand astonished at the Government's avowed intent of bringing other classes of property, such as old people's homes, within the Act.

This intent seems scarcely likely to be implemented in the next few years, whatever recommendations come out of the soon-to-be-published report of the Central Fire Brigades' Advisory Council.

TO THE HOLDERS OF

Ente Nazionale per l'Energia Elettrica (ENEL)

Guaranteed Floating Rate Loan Notes 1986

In accordance with the provisions of the above Notes, Bankers Trust Company, as Fiscal Agent therefor, has established the Rate of Interest on such Notes for the semi-annual period ending May 31, 1978 as eight and one-eighth percent (8⅛%) per annum. Interest due on such date will be payable upon surrender of Coupon No. 16.

BANKERS TRUST COMPANY,
Fiscal Agent

DATED: December 5, 1977

The Gerber-Goldschmidt Group have today moved to 1 Golden Square, London, W.1.

Tel: 01-439 9361. Telex: 22382/3.

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J.GERBER (EXPORTS) LTD. J.GERBER (TRADING) LTD.

FT Monthly Survey of Business Opinion

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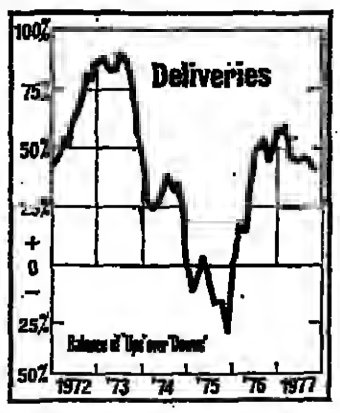
GENERAL OUTLOOK

Hopes of a further recovery

THE LATEST survey involved fresh interviews with companies in two consumer sectors—food and tobacco, and textiles and clothing — and with firms engaged in building and construction, including the supply of materials. None of them had, on balance, changed their attitudes towards the general business situation.



In some respects, firms in all three sectors were more optimistic about prospects 12 months ahead than they were about the immediate situation. All three were operating at a low level of demand and capacity working, were experiencing strong price competition, and were worried about the possibility of industrial unrest. The miners' ballot, which took place shortly before many of the interviews, also had an effect on attitudes.

On the favourable side, however, were hopes of a recovery in consumer demand next year and, in the building and construction sector, the revival in private housing starts and the effects of the latest government package, which was said to be about what had been expected although less than was needed.

Signs of an improvement in the economy generally were also helping to sustain business confidence, despite the feeling that the "real problems" had still not been solved and despite concern about the chances of holding the line on wages.

GENERAL BUSINESS SITUATION

4 monthly moving total — November 1977

Are you more or less optimistic about your company's prospects than you were four months ago?	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
More optimistic	40	37	35	32	13	39	26
Neutral	40	46	54	55	80	37	28
Less optimistic	20	17	11	13	7	24	46

EXPORT PROSPECTS (Weighted by exports)

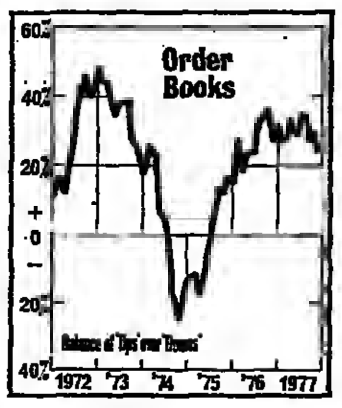
4 monthly moving total — November 1977

Over the next 12 months exports will be:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Higher	86	89	91	89	50	63	70
Same	10	10	6	7	34	19	—
Lower	4	1	2	3	—	18	30
Don't know	—	—	1	1	16	—	—

ORDERS AND OUTPUT

Demand still at a low level

THE BEST that can be said about the latest activity indicators is that the recovery is still slowly proceeding. The underlying trend for both new orders and deliveries during the past four months is still on balance upwards but the pace can hardly be said to be accelerating.



Indeed, there has been some tendency for rather fewer firms to report increases and for more to report no change or a decline.

As a result, the trend for order books has also tended to ease. Even more marked has been the decline in intentions regarding the purchase of outside supplies during the coming four months.

All this could suggest that the recovering is faltering were it not for the fact that respondent companies are still on average forecasting an increase of about 5-6 per cent. in their output or turnover during the next 12 months.

Among last month's sectors, food and tobacco companies were markedly less optimistic than earlier, so much so that the declines in that sector more than offset the greater optimism in the other two sectors.

NEW ORDERS

4 monthly moving total — November 1977

The trend of new orders in the last 4 months is:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Up	42	45	53	53	76	17	46
Same	17	17	16	20	2	34	29
Down	15	17	15	15	22	15	4
No answer	26	21	16	12	—	34	21

PRODUCTION/SALES TURNOVER

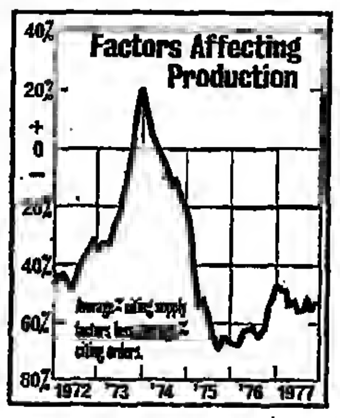
4 monthly moving total — November 1977

Those expecting production-sales turnover in the next 12 months to:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Rise over 20%	4	4	3	2	—	—	—
Rise 15-19%	5	3	3	5	33	—	4
Rise 10-14%	19	21	15	17	2	8	—
Rise 5-9%	24	27	38	32	33	12	21
About the same	40	37	33	38	32	65	53
Fall 5-9%	3	—	—	—	—	15	—
No comments	5	8	8	6	—	—	22

CAPACITY AND STOCKS

Shortages are re-emerging

ANOTHER REASON for being cautious about the signs that recovery may be weakening lies in the latest indicators for stocks. Both the food/tobacco and textile/clothing sectors expect stocks and work-in-progress to increase in the next 12 months. Both sectors also are less inclined to say that stocks are too high in relation to sales.



As against that, even more firms in these two sectors—as in industry generally recently—are saying they are now operating below planned capacity levels. Once again, we see more optimism about the medium run than about the short run.

However, this makes all the more worrying the further increase this month in the number of companies reporting shortages of executive and skilled factory staff—for which, incidentally, they mostly blame reduced pay differentials and high personal taxation.

Interruptions caused by labour disputes are also more frequently cited and so, too, are export orders, though this has not prevented a fall in the balance of demand over supply factors.

STOCKS

4 monthly moving total — November 1977

Raw materials and components over the next 12 months will:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Increase	31	23	27	32	35	43	31
Stay about the same	54	54	49	45	30	56	69
Decrease	8	10	10	12	33	1	—
No comments	7	13	14	11	2	—	—
Manufactured goods over the next 12 months will:							
Increase	29	25	32	36	46	37	4
Stay about the same	41	42	41	35	17	56	90
Decrease	5	8	8	8	2	—	—
No comments	25	25	19	21	35	7	6

FACTORS CURRENTLY AFFECTING PRODUCTION

4 monthly moving total — November 1977

	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Home orders	76	77	75	82	98	87	78
Export orders	60	57	51	52	41	54	46
Executive staff	20	13	15	19	17	32	4
Skilled factory staff	36	28	29	23	72	32	29
Manual Labour	4	4	4	6	2	—	4
Components	8	6	4	2	33	—	—
Raw materials	8	10	13	10	33	8	—
Production capacity (plant)	10	17	17	11	—	5	46
Finance	1	1	2	—	—	—	—
Others	13	10	9	8	2	24	—
Labour disputes	29	21	19	18	33	30	21
No answer/no factor	2	2	4	5	—	—	—

CAPACITY WORKING

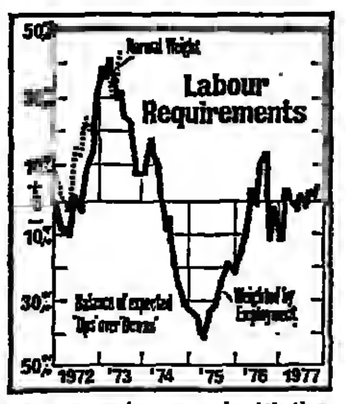
4 monthly moving total — November 1977

	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Above target capacity	13	16	12	14	35	—	—
Planned output	49	54	66	69	33	57	33
Below target capacity	37	28	21	16	32	43	67
No answer	1	2	1	1	—	—	—

INVESTMENT AND LABOUR

No increase in employment

TWO SECTORS last month—building/construction and textiles/clothing—were less inclined than before to expect their employment levels to decline during the next 12 months. As a result, the all-industry indicator has risen slightly. But the overall outlook does not auger well for a reduction in unemployment.



The balance of "ups" over "downs" is still very small. And a new question about the factors which are discouraging firms from employing more people showed that plans to raise productivity, the desire of existing staff to work overtime, recent employment legislation, the potential cost of redundancy payments, and difficulty in recruiting employees with suitable skills were far more dominant among the firms interviewed last month than factors associated with demand.

Prospects for an increase in industrial investment have improved again. Just over half of the all-industry sample now expect to spend more in real terms. As a result, the balance of "ups" over "downs" indicator has almost returned to its mid-1976 peak. More firms are also now saying their liquidity levels are too low, and more expect to need more outside finance.

LABOUR REQUIREMENTS (Weighted by employment)

4 monthly moving total — November 1977

Those expecting their labour force over the next 12 months to:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Increase	25	23	24	18	44	18	6
Stay about the same	54	55	55	62	48	61	90
Decrease	20	21	21	19	8	21	4
No comment	1	1	—	1	—	—	—

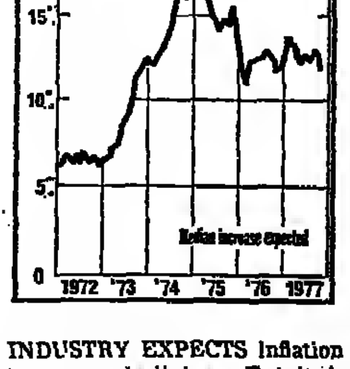
CAPITAL INVESTMENT (Weighted by capital expenditure)

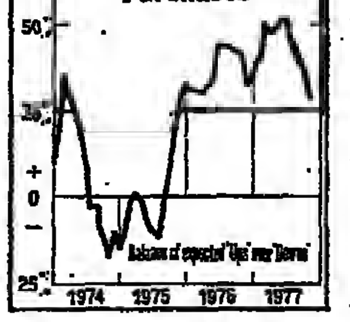
4 monthly moving total — November 1977

Those expecting capital expenditure over the next 12 months to:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Increase in volume	53	51	44	46	—	74	80
Increase in value but not in volume	15	10	11	10	91	3	5
Stay about the same	10	14	14	12	—	—	9
Decrease	16	21	27	30	—	8	6
No comment	6	4	4	2	9	15	—

COSTS AND PROFIT MARGINS

Inflation rate will decline





INDUSTRY EXPECTS inflation to go on declining. But it is less optimistic about profitability which is likely to continue to be squeezed by the combination of rising costs and price competition.

For wage costs, our all-industry indicator has levelled off this month at about 12·13 per cent. But the interesting points are, first, more firms are now prepared to hazard an estimate about the likely trend of wage costs and, as a result, replies have now converged on the 10-14 per cent. range.

Secondly, firms in most sectors are registering a strong determination to hold out against breaches in the 12 months rule, subject to the miners being kept in line.

Meanwhile, a stronger pound and lower import prices has led to hopes of a further fall in non-wage costs, and thus in both total unit costs and in output prices.

But, because of the pressure on margins, optimism about profitability over the next 12 months has fallen, especially in the building/construction and food/tobacco sectors.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives about their companies' situation and prospects.

Three sectors and some 30 firms are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries' Index, which accounts for about 60 per cent. of the turnover of all public companies. The weighting is by market capitalisation, save where an alternative method of weighting is indicated.

The all-industry figures are four-monthly moving totals, covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month). *Complete tables can be purchased from Taylor Nelson and Associates.*

COSTS

4 monthly moving total — November 1977

	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Wages rise by:							
5-9%	8	11	13	17	35	—	6
10-14%	70	57	53	44	65	89	90
15-19%	15	19	14	10	—	11	4
20-24%	1	2	2	2	—	—	—
25-29%	—	1	1	1	—	—	—
No answer	6	10	17	26	—	—	—
Unit cost rise by:							
0-4%	4	5	3	3	—	8	6
5-9%	11	8	11	15	—	—	68
10-14%	64	52	50	48	76	89	22
15-19%	8	19	22	19	2	—	—
20-24%	—	3	4	4	—	—	—
Same	2	1	—	—	—	3	4
Decrease	1	—	—	—	15	—	—
No answer	10	12	10	11	7	—	—

PROFIT MARGINS

4 monthly moving total — November 1977

Those expecting profit margins over the next 12 months to:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Cnstrctn. & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Improve	29	35	48	47	39	3	92
Remain the same	45	45	33	35	39	52	7
Contract	22	15	14	14	22	45	1
No comment	4	5	5	4	—	—	—

Entertainment Gu

CC—These theatres accept certain credit cards by telephone or at the box office.

OPERA & BALLET

THEATRES

CINEMAS

CLUBS

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

	Title	Venue
	Royal Smithfield Show (cl. Dec. 9)	Earls Court
Jan. 8	Camping, Outdoor Holiday & Motor Caravan Show	Olympia
	International Boat Show	Earls Court
	International Toy Fair	Harrogate
15	International Furniture Show	Nat. Exhbn. Centre, B'ham.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

	Int. Chemical Industries Exbn. (cl. Dec. 10)	Paris
16	International Furniture Exhibition	Paris
17	International Lighting Exhibition	Paris

BUSINESS AND MANAGEMENT CONFERENCES

	Marchmont: Personal Tax Saving for Directors	Royal Garden Hotel, W.8
9	AMR International: Management Skills for Women	Royal Garden Hotel, W.8
	British Ass. for Com. & Indust. Education: The Employ. & Training Act 1973—Is it Working?	Regent Centre Hotel, W.1
	European League for Economic Co-Operation: The Consumers Voice in Europe	Café Royal, W.1
	Interface: Financial Management & Accounting for Inflation	Russell Hotel, W.C.1
	Institute of Cost and Management Accountants: Accounting—Dealing with Inflation	63, Portland Place, W.1
	Staniland Hall Associates: Consumer Spending in 1978 and 1979	Hilton Hotel, W.1
	Education for Business & Industry: Transactional Analysis	Café Royal, W.1
	London Chamber of Commerce and Industry: U.K. Economic Prospects in 1978	69, Cannon St., E.C.4
	Bus. Southwest: The West Country Towards 1984	Plymouth
	Brunel University: Coming to Terms with White Collar Unions	Uxbridge
2—16	P-E Consulting Group: Personnel Management	Training Centre, Egham
13—14	Oyez: Preventing Claims Against Carriers	Europa Hotel, W.1
13—14	Shirley Institute: Textiles in the Oil Industry	Manchester
14	Henley Centre for Forecasting: Exchange Rate Movements to 1982	Carlton Tower Hotel, S.W.1
5	European Study Conf.: Rewards for Investors	Cumberland Hotel, W.1
5—16	British Institute of Management: Management Accounting for Non-Financial Managers	Berners Hotel, W.1
	Expentant: Quality Cost Analysis	Maidenhead
	Institute of Personnel Management: Industrial Relations Law	London
13	Abraxas: Synectics—Innovative Skills	68, Churchway, N.W.1
	European Study Conferences: Current Cost Accounting, The Hyde Guidelines	Hilton Hotel, W.1

This week in Parliament

TO-DAY

COMMONS—Emergency Debate ... own Agents. Discussion of ... Parliamentary Orders.

TO-MORROW

COMMONS—Committee stage, ... Bill. Motion on Sheriff ... (from Office) Order. ... Orders on European ... unity, definition of treaties. LORDS—Debate on defence. ... Government (Scotland) ... Committee. Motion calling on ... ment to replace order on ... with another order. Prayer ... on the Conservation of ... Creatures and Wild Plants ... Order 1977. Short debate ... to Bolivian mining ... try. Select Committees: ... diture: Trade and Industry ... Committee. Subject: fishing ... try (10 a.m., room 16). ... diture, Defence and External Affairs sub-committee. Subject: CPRS Review. Witnesses: British Council and British Council staff side. Ministry of Overseas Development staff side. BBC (3.30 p.m., room 16).

WEDNESDAY

COMMONS—Committee stage, Scotland Bill.

LORDS—Debate on defence. Select Committees: Expenditure, Environment Sub-committee. Subject: National Land Fund. Witnesses: Heritage in Danger (4 p.m., room 5). European Legislation Committee. Subject: R and D programme, primary raw materials. Witness: Mr. Leslie Huckfield, Industry Under-Secretary (4.15 p.m., room 16). Expenditure, Social Services and Employment Sub-committee. Subject: Employment and Training Services. Witnesses: Scottish Secretary (4.30 p.m., room 15).

THURSDAY

COMMONS—Motions on Northern Ireland Orders on emergency provisions and criminal law and on appropriation, electricity service, rates, agricultural wages, supplementary benefits and road races.

LORDS — Various Northern Ireland Orders. Finance Bill (second reading). Short debate on Highlands and Islands airports. Select committees: Science and Technology, General Purposes Sub-Committee. Subject: durability of electric lamps. Witnesses: Thorn Lighting Industries (4 p.m., room 16).

FRIDAY

COMMONS—Private members' motions.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

COMPANY MEETINGS—
..., Dereham, Norfolk, 12
..., Winchester House, E.C., 12
... Hotels, Bath, 12.30
... Zochonis, Manchester, 12

BOARD MEETINGS—
...
Roberts Brewery
(Frederick)
...ham Brick
(Samuel)
...
(Hosiery)
...
Engineering
... International
(O.)
Mathew)
... Somers
(W. E.)
(Alfred)
Group
...
NSS Newsagents
Northern Foods
Ransome Hoffman Pollard
Whessoe
Williams (John) of Cardiff
Interims:
Armitage Shanks
Attwood Garages
Braham Millar
Coalite and Chemical
English Card Clothing
Leaderflush
Pilkington
Russell (Paddington)
Westbrick Products
Wheway Watson
...ton (Thomas)
...
... (Ben)

DIVIDEND & INTEREST PAYMENTS—
... Aluminium 35 cts.
(Arthur) 4.41092p
...ton (J.) 0.39936p
...gill and Harvey 2.25p
...bank Incd. 0.636553847p (includes 0.133847p supp. distbn. o/n 1976)
... Group 1.40p
...bourne 10p
... 8 cts.
... Invest. Trust 2.75p

DIVIDEND & INTEREST PAYMENTS—
Angus 14pcBds. Red. 7/12/77 £7.2301
Assam Trading B 2.20438p
Atlas Electric and General 0.0p
Basildon 14pcBds. Red. 7/12/77 £7.2301
Berger Jenson and Nicholson Db. 4pc
Berkshire 14pcBds. Red. 7/12/77 £7.2301
Birmingham 13pcBds. Red. 7/12/77 £6.6781
Blackburn 14pcBds. Red. 7/12/77 £7.2301
Bradford 14pcBds. Red. 7/12/77 £7.2301
Brent 14pcBds. Red. 7/12/77 £7.2301
British Car Auction 1.331p
Central and District Prop. Db. 5¼pc
Chiltern 14pcBds. Red. 7/12/77 £7.2301
Chubb 1.378p. Lns. 4 and 4½pc
Cons. Gold Fields 5.3302p
Crewe and Nantwich 14pcBds. Red. 7/12/77 £7.2301
East Kilbride 14pcBds. Red. 7/12/77 £7.2301
Eastwood (J. B.) 1.39p
Fenland 14pcBds. Red. 7/12/77 £7.2301
[illegible]

Calcutta Electric 6.75p
Cherwell 9¾pcBds. Red. 14/6/70 4⅞pc
Chesterfield 11¼pcBds. Red. 0/6/70 5⅝pc
Croda Intl. 1p (includes supp. distbn. of 0.017261p o/a yr. ended 1970)
Cutler Hammer 0¾pcBds. Red. 14/6/78 4⅞pc
Cynon Valley 9¾pcBds. Red. 14/6/78 4⅞pc
Ductile Steels 3.2981p
Dudley 9¾pcBds. Red. 14/0/70 4⅞pc
Dundee 9¾pcBds. Red. 14/0/70 4⅞pc
Eastern Produce 1.32p
Enfield 12¾pcBds. Red. 4/6/80 6⅜pc
Glasgow 9¾pcBds. Red. 14/6/70 4⅞pc
Greater London 9¾pcBds. Red. 14/6/78 4⅞pc
Greater Manchester Passgr. Transpt. Executive 9¾pcBds. Red. 14/6/00 4⅞pc
Guildhall Property 1.908p
Narrburger Brooks 1p
Leeds 9¾pcBds. Red. 14/6/78 4⅞pc
Liverpool 9¾pcBds. Red. 14/6/78 4⅞pc
Myddleton Hotels 5p
North Atlantic Secs. Corp. 1.7p
North Devon 11¼pcBds. Red. 0/6/70 5⅝pc
North Kesteven 9¾pcBds. Red. 14/0/78 4⅞pc
Office and Electronic M-cs. 1.318p (includes suppl. distbn. 0.04p o/a yr. ended 31/12/76)
Perry (Harry) Motors 2.47p
Pressac 1.8473p
Reed Intl. 5pcPf. 1.75p. 7pcPf. 2.45p. Lns. 2½ and 3¼pc
Rhondda 9¾pcBds. Red. 14/0/78 4⅞pc
Ross and Cromarty 12¾pcBds. Red. 4/6/80 6⅜pc
Scottish and Continental Inv. 1.2p
Solihull 9¾pcBds. Red. 14/0/78 4⅞pc
South Herefordshire 9¾pcBds. Red. 14/6/78 4⅞pc
South Lakeland 9¾pcBds. Red. 14/6/78 4⅞pc
Strathclyde 9¾pcBds. Red. 14/6/70 4⅞pc
Suffolk Coastal 13pcBds. Red. 2/0/82 6½pc
Teignbridge 11¼pcBds. Red. 0/6/79 5⅝pc
Thurrock 13pcBds. Red. 2/6/82 6½pc
Warwick 9¾pcBds. Red. 14/6/78 4⅞pc
Wiltshire 9¾pcBds. Red. 14/0/78 4⅞pc
Wirral 11¼pcBds. Red. 6/6/79 5⅝pc
Wychavon 9¾pcBds. Red. 14/6/78 4⅞pc

FRIDAY, DECEMBER 9

COMPANY MEETINGS—
[illegible]

APPOINTMENTS

British Linen Bank

The following senior appointments have been made in the BRITISH LINEN BANK, which was revived last week. Director and chief executive: Mr. D. Bruce Pattullo; deputy chief executive and assistant director, Mr. Thomas Bennie; secretary, Dr. Joan Smith; assistant directors, Mr. Hugh K. Young; Mr. I. Q. Jones; and Mr. F. D. Campbell.

★

Dr. Michael Turner has been appointed director-general of the BRITISH NUTRITION FOUNDATION in succession to Miss Dorothy Hollingsworth. At present a senior lecturer at Southampton University in the School of Biochemical and Physiological Sciences, Dr. Turner will take up his new appointment in the New Year.

★

Mr. John C. Robertson has been appointed managing director of S. H. CAMP AND CO.

★

Mr. David N. Foster, financial controller, has been appointed director and secretary of RUBERY OWEN HYDRAULICS.

★

Mr. Asad Y. Nasr, managing director of MIDDLE EAST AIRLINES, has been appointed chairman of the company in succession to Sheikh Najib Alamuddin, who becomes honorary chairman for life and adviser to the Board.

★

Mr. E. G. Wedgwood, regional manager, Midlands, of STANDARD LIFE ASSURANCE COMPANY, has retired after 42 years' service. Mr. Wedgwood is succeeded by Mr. L. T. Bisset, previously regional pensions manager, Midlands.

★

Mr. Mike Hennessey has been made director and general manager of CAMBRIAN AIR HOLIDAYS, and takes up his appointment early in the New Year.

★

Mr. W. Murday has joined DOWTY MINING EQUIPMENT as director and general manager of its Hucknall factory. Mr. Murday served with the NCB for some 18 years until 1966, latterly as area production manager, Chesterfield. Since then he has held a number of directorships with coal face equipment manufacturers.

★

Mr. Douglas A. Paul, director and general manager of HALL, RUSSELL AND COMPANY, has been appointed deputy managing director. Mr. James Milne, currently technical director, has been appointed general manager of the company and will meantime retain responsibility for technical direction.

★

Mr. Albert Booth, Secretary of State for Employment, has reconstituted the FOOTWEAR, LEATHER AND FUR SKIN INDUSTRY TRAINING BOARD for a further three years. Mr. Booth has reappointed Mr. J. R. Tusting as chairman and has named 15 other members. These include one new member, Mr. A. P. Partridge, a director of Allied Shoe Repairs, Birmingham.

★

Mr. Julian Wellesley will become chairman of CHARLES BARKER ABH INTERNATIONAL from January 1. Mr. Wellesley, who joined the agency in 1962, the main Board in 1963 and became group deputy chairman in 1975, succeeds Mr. Kyrle Simond, chairman since 1972 and a director for the past 25 years.

★

Mr. Victor L. Horwood has been appointed deputy managing director of the SCOTTISH DAILY RECORD AND SUNDAY MAIL, a subsidiary of Mirror Group Newspapers. Mr. Horwood was previously director of production and development. Mr. Liam J. Kane, who has joined the Board as director of finance and administration, was previously chief accountant and secretary.

★

Mr. Norman Pilkington has been appointed a director of GEOFFREY MORLEY AND PARTNERS from January 1. Mr. Pilkington is chairman of the Society of Investment Analysts and a former investment manager of Shell International pension funds.

★

Mr. J. M. R. Glucksteln, who had previously announced his decision to leave J. LYONS AND CO. in order to pursue private business interests, has now resigned from the Board.

HOME CONTRACTS

Marconi wins radio order

MARCONI - ELLIOTT AVIONIC SYSTEMS (A GEC-Marconi Electronics company) has been awarded a contract for airborne vhf communications systems and uhf homing equipment, by the Ministry of Defence (Procurement Executive). Orders for several hundred sets of AD120 vhf systems and AA13304 uhf homing equipment will be fulfilled by the company's Airadio Products division at Basildon, Essex. The new order is for up-dating over 30 different types of front-line aircraft, including Phantoms, Harriers and anti-submarine Nimrods with the above systems.

REDIFON SYSTEMS SIMULATION, Crawley, West Sussex, has received an order from the Ministry of Defence for air traffic control simulation equipment. The contract is for the Redifon advanced type C8014-E16 (33) Approach/Terminal Digital Radar Simulator, which will replace the three existing analogue equipments at Shawbury. Redifon has retained the "three simulator" concept and each simulator will incorporate its own Interdata 8/16E digital computer.

KEARNEY AND TRECKER MARWIN, Brighton, a subsidiary of Vickers, has won an order worth about £400,000 from the Ford engine works at Basildon for a seven-station transfer machine which will broach three-four and six cylinder engine blocks.

All of these Securities have been sold. This announcement appears as a matter of record only.

$225,000,000

Commonwealth of Australia

$125,000,000 Seven Year 8¼% Bonds Due 1984

$100,000,000 Twenty Year 8⅞% Bonds Due 1997

Interest payable June 1 and December 1

MORGAN STANLEY & CO.
Incorporated

THE FIRST BOSTON CORPORATION — GOLDMAN, SACHS & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH Incorporated — SALOMON BROTHERS
BACHE HALSEY STUART SHIELDS Incorporated — BLYTH EASTMAN DILLON & CO. Incorporated
DILLON, READ & CO. INC. — DREXEL BURNHAM LAMBERT Incorporated
HORNBLOWER, WEEKS, NOYES & TRASK Incorporated — E. F. HUTTON & COMPANY INC.
KIDDER, PEABODY & CO. Incorporated — KUHN LOEB & CO. Incorporated — LAZARD FRERES & CO.
LEHMAN BROTHERS Incorporated — LOEB RHOADES & CO. INC. — PAINE, WEBBER, JACKSON & CURTIS Incorporated
REYNOLDS SECURITIES INC. — SMITH BARNEY, HARRIS UPHAM & CO. Incorporated
UBS-DB CORPORATION — WARBURG PARIBAS BECKER Incorporated — WERTHEIM & CO., INC.
WHITE, WELD & CO. Incorporated — DEAN WITTER & CO. Incorporated
BASLE SECURITIES CORPORATION — SOGEN-SWISS INTERNATIONAL CORPORATION
BANQUE NATIONALE DE PARIS — ROBERT FLEMING Incorporated — HILL SAMUEL & CO. Limited
KLEINWORT, BENSON Incorporated — MORGAN GRENFELL & CO. Limited — NEW COURT SECURITIES CORPORATION
SCANDINAVIAN SECURITIES CORPORATION — J. HENRY SCHRODER WAGG & CO. Limited
THE BANK OF TOKYO (HOLLAND) N.V. — CAZENOVE INCORPORATED
DAIWA SECURITIES AMERICA INC. — IBJ INTERNATIONAL Limited — THE NIKKO SECURITIES CO. International, Inc.
NOMURA SECURITIES INTERNATIONAL, INC. — YAMAICHI INTERNATIONAL (AMERICA), INC.
AUSTRALIAN UNITED CORPORATION Limited — CAISSE DES DEPOTS ET CONSIGNATIONS — ORD MINNETT Limited
POTTER PARTNERS — J. B. WERE & SON — NEW JAPAN SECURITIES INTERNATIONAL INC.

December 2, 1977.

PLANT & MACHINERY SALES

Description	Price	Telephone
8 BLOCK (400 mm) IN LINE, NONSLIP WIRE DRAWING MACHINE in excellent condition. 0/2000ft/min variable speed 10 hp per block (1968).	P.O.A	0902 42541/2/3 Telex 336414
24" DIAMETER HORIZONTAL BULL BLOCK by Farmer Norton (1972).	P.O.A	0902 42541/2/3 Telex 336414
ROTARY SWAGING MACHINE by Farmer Norton (1972).	P.O.A	0902 42541/2/3 Telex 336414
SLITTING LINE 500 mm x 3 mm x 3 ton capacity.	P.O.A	
TWO VARIABLE SPEED FOUR HIGH ROLLING MILLS Ex.6.50" wide razor blade strip production.	P.O.A	0902 42541/2/3 Telex 336414
MODERN USED ROLLING MILLS, wire rod and tube drawing plant—roll forming machines—slitting—flattening and cut-to-length lines—cold saws—presses—guillotines, etc.	P.O.A	0902 42541/2/3 Telex 336414
1974 FULLY AUTOMATED COLD SAW by Noble & Lund with batch control.	P.O.A	0902 42541/2/3 Telex 336414
1970 CUT-TO-LENGTH LINE max. capacity 1000 mm 2 mm x 7 tonne coil fully overhauled and in excellent condition.	P.O.A	0902 42541/2/3 Telex 336414
1965 TREBLE DRAFT GRAVITY WIRE DRAWING machine by Farmer Norton 27"—29"—31" diameter drawblocks.	P.O.A	0902 42541/2/3 Telex 336414
STRIP FLATTEN AND CUT-TO-LENGTH LINE by A.R.M. Max. capacity 750 mm x 3mm	P.O.A	0902 42541/2:3 Telex 336414
1970 TWO STAND WIRE FLATTENING AND STRIP ROLLING LINE, 8" x 7" rolls x 60 hp per roll stand, variablo line speed 0/750ft/min.	P.O.A	0902 42541/2/3 Telex 336414
2 15 DIE MS4 WIRE DRAWING MACHINES 5.000Ft./Min. with spoolers by Marshall Richards.	P.O.A	0902 42541/2/3 Telex 336414
50 H.P. VERTICAL WIREDRAWING BLOCK x 650 mm dia.	P.O.A	0902 42541/2/3 Telex 336414
9 ROLL FLATTENING MACHINE 1.700 mm wide.	P.O.A	0902 42541/2/3 Telex 336414
7 ROLL FLATTENING MACHINE 965 mm wide.	P.O.A	0902 42541/2/3 Telex 336414
COLES MOBILE YARD-CRANE 6-ton capacity lattice jib.	P.O.A	0902 42541/2/3 Telex 336414
16 MM TO 28 MM ROD STRAIGHTEN and cut to length line with flying shear and capstan for handling 2 ton steel coil.	P.O.A	0902 42541/2/3 Telex 336414
RWF TWO STAND WIRE FLATTENING AND STRIP ROLLING LINE, 10" x 8" rolls x 75 HP per roll stand. Comolete with edging rolls, turks head, flaking and fixed recoiler, air gauging, etc. Variable line speed 0/750ft./min. and 0/1500 ft/min.	P.O.A	0902 42541/2/3 Telex 336414
260kVA EMERGENCY GENERATOR available immediately	£12,227	060684 3000/1 Telex 6671 86
100kVA GARDENER GENERATOR SET	£6,818	060684 3000/1 Telex 6671 86
135kVA MARINE GENERATING UNIT M.A.N.	£8,783	060684 3000/1 Telex 6671 86
208kVA (continuous) ALLIS CHALMERS GENERATING SET	£11,498	060684 3000/1 Telex 6671 86

WANTED

MODERN USED ROLLING MILLS, wire rod and tube drawing plant—roll forming machines—slitting—flattening and cut-to-length lines—cold saws—presses—guillotines, etc.		0902 42541/2/3 Telex 336414

LEGAL NOTICES

No. 003718 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of WAREHAM CONTAINERS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 18th day of November 1977, presented to the said Court by BEN LINE STEAMERS LIMITED whose registered office is situate at 33, St. Mary's Street, Edinburgh, Scotland, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 12th day of December 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

NORTON ROSE BOTTERELL & ROCHE,
Kempson House,
Camomile Street,
London EC3A 7AN.
(Ref: CR/41795B)
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 9th day of December 1977.

No. 003573 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of WHALEBONE MOTORS LIMITED and in the Matter of The Companies Act 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 29th day of November 1977, presented to the said Court by THE DEPARTMENT OF HEALTH AND SOCIAL SECURITY of State House, High Holborn, London, W.C.1, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London W.C.2, on the 16th day of January 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

M. W. M. OSMOND,
State House,
High Holborn,
London, W.C.1.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any), and must be served or, if posted must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 13th day of January 1978.

COMPANY NOTICES

TENDERS FOR GREATER LONDON BILLS

1. The Greater London Council hereby give notice that Tenders will be received at the Chief Accountant's Office (Bank Buildings), Bank of England, London EC2R 8EU, on Monday, 12th December, at 12 noon for Greater London Bills to be issued in conformity with the Greater London Council (General Powers) Act, 1957, to the amount of £25,000,000.
2. The Bills will be in amounts of £5,000, £10,000, £25,000, £50,000, £100,000 or £250,000. They will be dated Thursday, 15th December, 1977, and will be due 91 days after date, without days of grace.
3. Each Tender must be for an amount not less than £25,000, and must specify the net amount per cent. (being a multiple of one new halfpenny) which will be given for the amount applied for.
4. Tenders must be made through a London Banker, Discount House or Broker.
5. The Bills will be issued and paid at the Bank of England.
6. Notification will be sent by post on the same day as Tenders are received, to the persons whose Tenders are accepted in whole or in part and payment in full of the amounts due in respect of such accepted Tenders must be made to the Bank of England, by means of cash or by Draft or cheque drawn on the Bank of England not later than 1.30 p.m. on Thursday 15th December, 1977.
7. Tenders must be made on the printed forms which may be obtained either from the Bank of England, or from the Council's Offices at The County Hall.
8. The Greater London Council reserve the right of rejecting any Tenders.

M. F. STONEFROST.
Comptroller of Financial Services.
The County Hall.
London SE1 7PB.
5th December, 1977.

GUAYAQUIL & QUITO RAILWAY COMPANY LTD.

5% (FORMERLY 5%) 1ST MORTGAGE ASSENTED BONDS

NOTICE IS HEREBY GIVEN that at a Drawing on the 24th November 1977 at Williams & Glyn's Bank Limited, 67, Lombard Street, London E.C.3 the following Guayaquil & Quito Railway Company Bonds were drawn for repayment at par on the 2nd January 1978 after which date interest thereon will cease:—

121 Bonds of $1,000.00 = $121,000.00

619	622	841	1128	1297
1363	1385	1389	1400	1497
1511	1607	1924	2133	2229
2753	2755	3087	3088	3089
3090	3091	3117	3374	3343
3505	3500	3509	3766	3803
3812	3813	3810	3821	3834
3860	3888	3915	4063	4080
4242	4298	4290	4300	4557
5070	5260	5469	5480	5750
6040	6077	6078	6655	6877
6683	6698	6740	6763	6937
7073	7099	7369	7409	7405
7480	7659	7784	7828	8241
8247	8258	8403	8543	8546
8823	8829	8637	9058	9144
9275	9380	9385	9464	9551
10146	10316	10314	10328	10371
10407	10592	10593	10738	10741
10829	11202	11203	11290	11423
11546	11590	11012	11643	11687
11707	11710	11711	11749	11755
11771	11772	11777	11855	11858
11801	12000	12046	12081	12228
12267.				

Bonds with coupon No. 58 due 2.7.70 and subsequent attached should be presented for payment at Williams & Glyn's Bank Limited, 5-10 Great Tower Street, London EC3R 5DN (and left three clear days for examination) or at the Chemical Bank, New York.

WILLIAMS & GLYN'S BANK LIMITED.
5-10 Great Tower Street,
London EC3R 5DH.

Patrick F. J. Freeman,
Notary Public of the Firm of:—
JOHN NEWTON & SONS.
27, Clements Lane,
London, E.C.4.
24th November, 1977.

NORTH ATLANTIC WESTBOUND FREIGHT ASSOCIATION

NOTICE TO SHIPPERS AND CONSIGNEES

EMERGENCY SURCHARGE

Member Lines of the above association wish to advise that owing to heavy losses sustained in freight revenue through the acute disruption to normal services over the period 1st October to 30th November 1977, as a result of industrial action by Longshoremen on the *U.S. Eastern Seaboard*, they are compelled to impose a surcharge of 10 per cent on gross ocean freight and charges.

This surcharge will be levied on all traffic from Great Britain, Northern Ireland and Republic of Ireland to North and South Atlantic ports of the U.S.A., and will be effective by vessels commencing to load at each individual loading port on and after 5th March 1978.

The duration of this surcharge will be kept under review.

Further details may be obtained from any of the undernoted lines or their agents.

American Export Lines Inc. Atlantic Cargo Services A.B. Atlantic Container Line (G.I.E.) Combi Line. Dart Containerline Co. Ltd. Hapag-Lloyd A.G. Sea-Land Service Inc. Seatrain International S.A. United States Lines Inc.

NORTH ATLANTIC WESTBOUND FREIGHT ASSOCIATION
74 St. James's Street, London SW1A 1PS.
5th December 1977.

OVERSEAS MARKETS

EUROBONDS

BY FRANCIS GHILES

Unsettled sterling sector

IN A WEEK which turned out to be rather featureless, the ups and downs experienced in the recently re-opened sterling sector left the sceptics convinced this area of the market would be extremely hard to develop ("let them rest in peace" was the way in which one continental banker summed up the recent sterling issues) while others, especially among the U.K. houses, felt that whatever the somewhat jittery experiences of the past week and a half, the market would eventually settle down.

The third sterling bond so far, the £20m. for Finance for Industry was priced at 99½ to yield 7.5 per cent. annually but fell in the after market and closed on Friday evening at 97, at which level the yield is 10.24.

The two earlier sterling issues, ECSC and Total Oil Marine, had an agitated week, losing ground on Monday when two new issues were announced, one for the European Investment Bank, the other for Fisons. On Wednesday they again weakened but recovered later when it became clear the Bank of England did not wish to see any change in the Minimum Lending Rate.

The terms of the EIB issue attracted widespread criticism, on the grounds that they were too tight and on Wednesday the indicated coupon of 9½ per cent. was raised to 9¾ per cent. The indicated pricing remains at a discount.

In a market already suffering from indigestion a further sterling issue was announced on Tuesday for Courtaulds. Pricing was indicated at a slight discount but later in the week the lead manager, Hill Samuel said it would take a realistic account of prevailing conditions on the day of pricing.

Few observers expect any further issues to be announced this side of Christmas but everybody will be watching for the pricing of the three latest sterling bonds. Trading for the issues already in the market seems to have been weak with little if no retail demand for the bonds, especially on the continent.

The dollar sector of the market was exceptionally active at the start of the week but quietened down considerably as the days wore on.

Over the week prices were up by ¼ to ½ a point but there was too much uncertainty to tempt many buyers back. Although the U.S. money supply figure was good (the narrowly defined money supply F1 fell $2.4bn. to a seasonally adjusted $331.5bn. in the week to November 23) the continuing weakness of the dollar against the stronger currencies made the market cautious.

Some bankers said that the Swiss were putting virtually no new money into the market as a result but others did not agree and insisted that if good names came to the market, the Swiss continued to show interest. Certainly some bonds have put on a very creditable performance in the Secondary market: City of Gothenberg, to quote one of those which started trading last week.

Only one new issue is expected in the dollar sector, $150m. for Inco, the world's largest producer of nickel. This two tranche issue will be led by Morgan Stanley.

Inco is rated AA—by Standard and Poors and A by Moody's. Maybe this is the kind of corporate name that will attract strong market support. Otherwise there is a dearth of new issues.

The Deutschemark sector continues to be notable for the amount of issuing activity which prevails. Megal Finance came to this market for the first time for DM150m. while two private placements were announced over the week-end. Societe de Developement Regional has not raised a DM denominated bond for over a year while for Compagnie Bruxelles Lambert, a holding company which has an important stake in Banque Bruxelles Lambert this is a first ever.

Another private placement of DM30m. is expected for a Yugoslav borrower. Lead manager is Bayerische Hypotheken. Deutsche Bank is also expected to announce a DM100m. eight-year bond for Petroleos Mexicanos. The same borrower is at present raising a 7m. Kuwaiti Dinar bond.

Despite the much slower pace of issuing activity, this year still looks as if it will break last year's record. According to the latest issue of Morgan Guaranty's World Financial Markets, Eurobonds issued in the first eleven months of this year were worth $15.832bn. as compared with a figure of $13.433bn. for the equivalent period in 1976.

In the Swiss and Japanese markets, borrowers continue to be active. Apart from the City of Bergen which is raising Sw.Fr.50m., the European Coal and Steel Community is expected to raise a Sw.Fr.80m. 15-year loan later this month.

Yen bond issues raised by foreign governments and international institutions are expected to be worth a total of Y326bn. in 1977, a very marked increase on last year's figure of Y65bn. The latest borrowers to announce their intention of tapping this market early next year are the City of Oslo and the Asian Development Bank.

The $400m. eight-year loan which Credit Lyonnais is lead managing for Electricite de France is expected to be increased to $500m. later this week. The split rate of ⅝ per cent. and ¾ per cent. over the interbank rate which the borrower is paying remains unchanged

BONDTRADE INDEX AND YIELD

	Nov. 25		Dec. 2		1977 High	1977 Low
Medium term	101.68	7.70	101.28	7.72	103.09 (7/1)	101.27 (3/11)
Long term	94.71	8.19	94.43	8.23	96.86 (30/9)	94.43 (4/11)
Convertible	108.33	5.63	106.14	5.72	111.22 (11/8)	106.14 (3/11)

EUROBOND TURNOVER
(nominal value in $m.)

	U.S. dollar bonds last week	U.S. dollar bonds previous week	Other bonds last week	Other bonds previous week
Euroclear	1,041.5	1,149.7	248.0	215.5
Cedel	325.6	488.4	305.4	129.9

CURRENT EUROBOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager
U.S. DOLLARS						
‡Orient Leasing	25	1984	5.5	8½	99½	Daiwa Mat. Han.
‡City of Gothenberg	30	1987	7.86	8½	99½	UBS Sk.Ensk. Bken.
††Hydrocarbons Bank (g'teed ENI)	75	1982	Bullet	7½	*	Credit Lyonnais
‡Caisse Nat du Crédit Ag.	50	1985	Bullet	8¾	*	S. G. Warburg
Inco Ltd.	100	1992	12	8½	*	Morgan Stanley
Inco Ltd.	50	1984	Bullet	8	*	Morgan Stanley
D-MARKS						
Sweden	200	1989	5.6	6	*	Deutsche
Quebec Hydro	150	1987	Bullet	6	*	Commerzbank
†**Kubota	30	1982	—	5½	99½	West LB
Megal Fin.	150	1989	—	6½	*	Dresdner Bk.
**Cie Bruxelles Lambert	30	1985	Bullet	5½	*	Dresdner
**Société de Dev. Reg. (g'teed by France)	100	1992	—	6½	*	Bayerische Vereinsbank
STERLING						
‡FFI	20	1987	5	9½	99½	S. G. Warburg
Fisons In. Fin. NV	10	1987	Bullet	10	*	Morgan Grenfell
EIB	25	1992	11.05	9¾	*	CSWW
Courtaulds Int. Fin. NV	20	1989	9.2	9½	*	Hill Samuel
SWISS FRANCS						
Electricite de France	100	1992	n.a.	4½	*	UBS
Con. Fed. de Elec.	60	1987	n.a.	5½	*	Paribas (Suisse)
Denmark	80	1992	n.a.	4½	*	Credit Suisse
Co-op Denmark	25	1992	n.a.	4½	*	Credit Suisse
Ind. Fund of Finland	25	1992	n.a.	4½	*	Banque Gutzwiller
City of Bergen	50	1992	n.a.	4½	99½	Credit Suisse
KUWAITI DINARS						
Petroleos Mexicanos	7	1987	—	8½	*	KIIC
Jugo Banka	7	1982	—	8½	*	Loeb Rhoades KGC

* Not yet priced ‡ Final terms ** Placement † Floating rate note § Minimum ¶ Convertible †† Registered with U.S. Securities and Exchange Commission ¶ Purchase fund

Note: Yields are calculated on AIBD basis.

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

Dec. 2	Dec. 1	Nov. 30	Nov. 29	1977 High	1977 Low
52.34	52.34	52.56	52.24	57.07 (4/1)	49.78 (2/11)

Rises and Falls

	Dec. 2	Dec. 1	Nov. 30
Issues traded	1,873	1,870	1,879
Rises	701	825	727
Falls	640	605	673
Unchanged	472	441	472
New Highs	60	60	39
New Lows	12	12	21

MONTREAL

TORONTO

JOHANNESBURG

OVERSEAS SHARE INFORMATION

NEW YORK

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OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

G.T. Unit Managers Ltd.♥
16, Finsbury Circus EC2M 7DD

♥G. & A. Trust (a) (g)
5, Rayleigh Rd., Brentwood (0277) 227300
G. & A. 30.8 32.9 +0.2 4.71

CLIVE INVESTMENTS LIMITED

Royal Exchange Ave., London EC3V 3LU. Tel. 01-283 1101
Index Guide as at 22nd November, 1977 (Base 100 at 14.1.77)

Clive Fixed Interest Capital	130.81
Clive Fixed Interest Income	123.14

INSURANCE BASE RATES

† Property Growth	8¼%
Canoon Assurance	2 %

† Address shown under Insurance and Property Bond Table.

CORAL INDEX: Close 485-490

Iodex Limited 01-351 3466. Three months Gold 160.5-162.5
Lamont Road, London SW10 0HS.

FINANCIAL TIMES STOCK INDICES

—	Dec. 2	Dec. 1	Nov. 30	Nov. 29	Nov. 28	Nov. 25	A year ago
Government Secs.	74.11	75.99	75.99	75.74	74.01	74.32*	66.28
Fixed Interest	77.03	77.09	77.12	77.20	77.46	77.40	58.05
Industrial Ordinary	486.7	479.8	481.0	474.1	464.6	466.0	505.3
Gold Mines	141.5	146.6	146.2	146.2	145.0	139.4	152.5
Ord. Div. Yield	6.51	6.87	5.55	5.61	8.72	5.70	7.13
Earnings Y'ld %(full)(*)	16.62	16.76	16.72	16.91	17.24	17.20	22.52
P/E Ratio (net) (*†)	8.54	8.46	8.49	8.40	8.24	8.26	6.58
Dealings marked	5,840	4,689	4,153	4,182	4,657	6,461	3,820
Equity turnover £m.	—	68.45	84.29	66.58	64.41	82.84	42.55
Equity bargains total	—	12,767	13,535	12,894	11,907	16,111	9,560

10 a.m. 478.4. 11 a.m. 481.2. Noon 483.7. 1 p.m. 485.5
2 p.m. 485.4. 3 p.m. 485.9.
Latest Index 01-246 8026.
*Based on 52 per cent. corporation tax. †Nil=8.48.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1977 High	1977 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	79.65 (30/8)	60.48 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	80.50 (1/10)	60.49 (4/1)	150.4 (28/11/47)	50.63 (3/1/75)
Ind. Ord.	549.2 (14/9)	357.5 (12/1)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	174.5 (18/10)	95.1 (1/2)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 2	Dec. 1
—Daily		
Gilt-Edged	126.8	155.6
Industries	128.2	146.3
Speculative	20.6	29.7
Totals	87.4	106.7
5-day Av'rage		
Gilt-Edged	140.8	158.0
Industrials	142.6	151.6
Speculative	27.2	31.4
Totals	98.0	105.3

FINANCIAL TIMES STOCK INDICES

—	Dec. 2	Dec. 1	Nov. 30	Nov. 29	Nov. 28	Nov. 25	A Year ago
Industrial Group	203.86	201.44	201.15	198.97	195.28	195.76	121.84
500 Shares	227.63	225.06	225.51	224.31	220.30	220.73	145.41
Div. Yield pc	6.34	5.32	6.36	5.42	5.52	5.51	7.52
P/E Ratio (net)	8.82	8.77	2.78	8.70	2.56	8.52	7.75
All Shares	210.04	208.59	208.45	206.52	208.80	203.06	133.03

HONG KONG

Hong Kongs	Dec. 2	Nov. 25
Govt. Loan 1986	—	—
Amalgamated Rubber	†1.57	—
Bowaters	—	—
China Light & Power	19.90	20.40
City Hotels	35.50	‡36.50
Cosmopolitan Properties	1.34	†1.34
Cross Harbour Tunnel	11.30	10.90
E. Asia Navigation	4.70	4.76
Hong Kong Aircraft	—	—
HongKong&WhampoaDocks	9.90	9.75
Hong Kong Electric	5.10	5.10
HongKongKowloonWharf	15.60	16.60
Hong Kong Land Invest.	6.90	6.76
Hong KongShanghai Bank	18.40	18.20
Hong Kong Shanghai Hotls	13.70	16.65
Hutchison International	5.075	5.05
Inter. Pacific Securities	†7.50	7.50
Jardine Matheson	15.00	15.20
Jardine Secs	5.70	5.75
Rubber	1.80	1.77
Sime Darby	—	—
Southn. Pac. Prop.	†0.56	0.57
Southern Textile	—	—
Swire Pacific A	5.90	6.00
Textile Alliance	—	—
TextileCorp of Hong Kong	—	—
Wheelock Marden	2.425	2.45
Wheelock Maritime	†3.60	†3.60
Winsor Industrial	1.94	1.89
Wynsor	—	—

† Buyer. — Unquoted. ‡ Seller.

SINGAPORE

Dec. 2	$	Dec. 2	$
Industrials		StraitsTrad'g	5.75
[illegible]	0.57	Temenggong	2.00
Boustead Co.	1.56	Times Pub. Berhad	3.68
Boustead Bhd	1.99	U. Engineers	1.51
Dunlop	3.88	U. Ov's. Bk.	2.93
[illegible]	2.20	Wearne	3.44
Fraser Neave	3.66	Tractor	3.36
[illegible] Par.	0.82½	Chemical	†4.22
[illegible] Ind.	1.40	Willm Jacks	1.10
[illegible]	2.36	Rubbers	
[illegible]	1.58	Batu Lintang	1.42
Malay Brew.	†4.70	Dunl'pEstate	†2.68
Malay Cemt.	†2.60	Kempas	3.84
Mal. Tobacco	‡6.20	Tins	
Met. Bx. Sing	2.05	Austral. Am.	4.54
[illegible]Chin. Bk	8.00	Berjuntai	7.50
[illegible] Electric	1.91	Kampar	3.10
[illegible] Co.	1.98	Kramat	—
[illegible]	3.34	Kuchai	†0.80
Shell	1.88	Lower Perak	—
Sime Darby	3.50	Petaling Tin	†5.45
Cold Storage	2.07	Supreme Cp.	±1.72
Straits Steam	2.32	TongkahHar.	±3.28
Straits Times (1976) Ltd.	†5.60		

Buyer. — Unquoted. ‡ Seller. ‡ Traded.

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FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
15S	15M	Treasury 9pc 1978‡‡	100	9.8	8.99	6.46
14J	14Ju	Treasury 10pc '78‡‡	102	8.7	10.26	6.40
[illegible]	28S	Exch. 5pc '76-78‡‡	93	22.8	5.06	6.59
[illegible]	9M	Treasury 11pc '79‡‡	103	31.1	11.12	8.56
[illegible]	17S	Treasury 3pc '79‡‡	94	11.8	3.17	6.14
[illegible]	28S	Electric 4pc '74-79	95	22.8	4.45	6.93
1M	1N	Treasury 10pc '79‡‡	102	25.9	10.23	8.95
[illegible]	15N	Electric 3pc '76-79	94	12.4	3.69	6.41
[illegible]	3.11	Treasury 9pc 1980‡‡	100	28.7	8.98	8.87
14N	14M	Treasury 9pc '80‡‡	100	25.8	9.44	9.19
15D	15J	Treasury 3pc '77-80	93	9.5	3.74	6.33
15D	15J	Funding 5pc '78-80‡‡	94	9.5	5.54	7.50
[illegible]	25N	Exchequer 13pc 1980‡‡	108	19.10	11.98	9.62
15J	15Ja	Treasury 11pc 1981‡‡	104	8.6	11.02	9.80
15A	15F	Treasury 3pc 1979-81	89	11.7	3.93	7.13
1O	1A	Treasury 9pc 1981‡‡	100	25.8	9.75	9.74
4F	4A	Exch. 9pc 1981	98	—	9.60	9.84
[illegible]	A21	Exch. 3pc 1981	88	—	3.41	6.70
17M	17N	Treas. Variable '81‡‡	97	—	7.11	7.71
22M	22N	Exch. 12pc 1981‡‡	109	17.10	11.69	9.93
15J	15Ja	Treas 8pc '80-82‡‡	95	8.6	8.87	9.72
15A	15F	Treasury 3pc '82‡‡	86	11.7	3.48	6.81
15S	16M	Treasury 14pc '82‡‡	113	10.8	12.32	10.60
—		Treas. Variable '82‡‡	97xd	—	7.12	7.66
Jan.	June	Treas. 8pc '82	94xd	—	8.73	9.79
[illegible]	22S	Exch. 9pc 1982	98	—	9.43	9.74
		Five to Fifteen Years				
21F	21A	Exch. 3pc '83	82	—	3.70	7.42
17S	17M	Treasury 12pc 1983‡‡	110	11.8	11.13	10.06
18J	10Ja	Treasury 9pc '83	98	—	9.57	10.05
15J	15Ja	Funding 5pc '82-84‡‡	85	8.6	6.29	8.13
10J	10Ju	Treasury 8pc '84-86‡‡	97	3.6	9.09	9.61
1N	1M	Funding 6pc '85-87‡‡	83	26.9	7.84	9.26
25J	25Ja	Treasury 7pc '85-88‡‡	89	20.6	8.99	9.93
1J	1Ju	Transport 3pc '78-88	63xd	25.5	4.73	8.25
[illegible]	15O	Treasury 5pc '86-89	70	8.9	7.22	9.33
15J	15Ja	Treasury 13pc 1990‡‡	114	8.6	11.94	11.60
15D	15J	Treasury 8pc '87-90‡‡	84xd	9.5	9.72	10.45
10J	10Ja	Treasury 11pc 1991	104	—	11.75	11.74
5O	5A	Funding 5pc '87-91‡‡	69	1.9	8.34	10.02
[illegible]	22Ja	Treasury 12pc '92‡‡	110	15.6	12.03	11.85

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FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

Although Greek Premier Constantine Karamanlis was comfortably returned to power in last month's general election, he now faces a very different Parliament. The Socialists have emerged as the main opposition and they oppose entry to the EEC.

Greece

THE GREEK Parliament, which has been overwhelmingly dominated by the New Democracy party of Premier Constantine Karamanlis, is going to be a much livelier place in coming years than it has been in the last three. For the first time in post-war Greek history, the main opposition differs entirely on foreign affairs from the Government.

In the general election of November 20, the centre-right New Democracy was returned to power for a four-year term of office. With 41.85 per cent. of the vote, down from 54 per cent. in the 1974 election, Premier Karamanlis' party now has 173 deputies in the 300-seat parliament, a comfortable majority but far short of the 215 seats he commanded in the last parliament.

The election also heralded the emergence of the country's socialist forces to play a leading role in the years ahead. The Panhellenic Socialist Movement (PASOK) of Mr. Andreas Papandreou almost doubled its electoral strength to 25.33 per cent. of the vote and is now the main opposition party with 92 seats in the house.

Mr. Papandreou opposes Greek membership of the EEC, with which he prefers a special agreement such as that between the Common Market and Norway. He has persistently campaigned for Greece's complete withdrawal from Nato and the abolition of American bases on Greek soil. He also wants a tougher line on Greece's dispute with neighbouring Turkey over territorial rights in the Aegean, taking the stand that Greece's land and insular continental shelf is not negotiable and Greek territorial waters should be extended to a 12-mile zone.

On Cyprus, he wants the issue internationalised rather than confined to a Greek-Turkish dispute. He advocates a non-aligned foreign policy for Greece.

All this has put him on a direct collision course with Mr. Karamanlis, who has repeatedly stated that Greece will remain firmly anchored to the western camp, hopes to sign the official accession treaty with the EEC by 1979 (to be followed after entry by a five-year transitional period to make the necessary structural changes), and will seek a negotiated settlement of its disputes with Turkey.

Imports

The EEC accounts for about 43 per cent. of Greece's imports and takes some 39 per cent. of the country's exports. But in figures, imports from the EEC rose from about $280m. in 1962 (the first year Greece became an associate member of the Community) to $2.4bn. in 1976. Over the same period, Greek exports to the EEC increased from about $90m. in 1962 to $883m. in 1976, which included $269m. in agricultural produce and $475m. in industrial products.

According to election analysts, Greek farmers, traditionally right-wing voters, this time voted heavily for Mr. Papandreou, whose central theme of "Greece for the Greeks" in his superbly organised electoral campaign seems to have struck a sensitive chord in the highly individualistic Greek character. According to some, the large agrarian vote for PASOK may now provide an excuse to members of the Common Market who are opposed to expansion to delay Greek membership by claiming that a considerable segment of the Greek people is clearly opposed to it. The Government is expected to mount a campaign to underline the benefits to be reaped by full membership.

As an associate member, Greece already receives substantial development assistance from the Nine. A new financial protocol signed early this year calls for total assistance of $336m. in 1977-81. The financial benefits of full membership will be on a far greater scale. The EEC Commission has estimated the annual payouts to Greece from the Community budget at about $540m., including $336m. under the agricultural guarantee and guidance programmes and $120m. from the Regional Fund. After deducting Greece's own contributions to the Community budget estimated at about $180m., this would leave Greece a net beneficiary to the tune of $360m. a year.

Concerning the economy, the PASOK wants the gradual socialisation of key sectors and the economic infrastructure, such as banking, energy, mineral resource enterprises, major exports and imports, shipbuilding, steel, cement and fertilisers and businesses connected with national defence as well as pharmaceuticals. Here it has the backing of the Moscow-oriented Communists, who held their ground in last month's election taking 9.36 per cent. of the vote and 11 seats in Parliament.

In the 40 months he has ruled Greece since he was recalled from self-imposed exile to take the helm after the collapse of the military junta, Mr. Karamanlis has surprised and disappointed many of his traditional Right-wing followers by adopting a socio-economic policy often bordering on socialism. Within the context of what he calls a European-style mixed economy, the Karamanlis Administration has extended State control to more and more key sectors. The State already controls 80 per cent. of total banking business, owns utilities, radio and TV networks, air and rail transport, electric power, the sugar industry and the country's largest oil refinery, and has nationalised urban public transport.

Government agencies will also own an aircraft assembly plant currently under construction and control a series of industrial plants now in the planning stage, including a $640m. petrochemicals complex and a $30m. telecommunications plant. The reason advanced for the extension of State control or the creation of new State-owned or controlled enterprises has been that private enterprise is unable or unwilling to undertake such large projects.

Whatever the truth, the increased State intervention appears to have resulted in the adoption of a wait-and-see attitude by foreign investors. Funds imported under the country's liberal foreign investment legislation have been decreasing in the past three years. They totalled $66.9m. in 1974, fell to $23.2m. in 1975, and dropped to $11.3m. in 1976. In the first five months of this year they totalled a mere $2.2m. The results of the election, which have put Mr. Papandreou in a challenging position for the number one spot in the next round, may now also further deter foreign investors. Among measures planned by the Government to encourage investors are the stabilisation of the fiscal status of investors and the introduction of incentives similar to those in force in the EEC.

Mr. Karamanlis's drift to the centre of the Greek political spectrum in the past three years may also have been at the root of the electoral disaster suffered by the Union of the Democratic Centre Party, under liberal politician George Mavros, who has now resigned, by depriving this party of enough ammunition for an effective opposition. This party polled only 11.95 per cent. of the vote (down from 20.4 per cent. in 1974) and now has only 15 seats in the House.

Trouble

In addition, disgruntled royalists and sympathisers of the fallen junta voted for the newly formed National Front Party, which sliced 6.8 per cent. off Mr. Karamanlis's electoral strength and is now expected to give him trouble from the right with its five seats in Parliament.

The 350,000 Greeks who voted for this party included royalists upset by Mr. Karamanlis' neutral stand on the monarchy issue in the 1974 referendum, conservatives embittered by what they consider his opening to the Left through his legalisation of the Greek Communist Party, which had remained outlawed for a quarter century, and finally Junta followers opposed to him for his purge of their friends in the armed forces and the civil service.

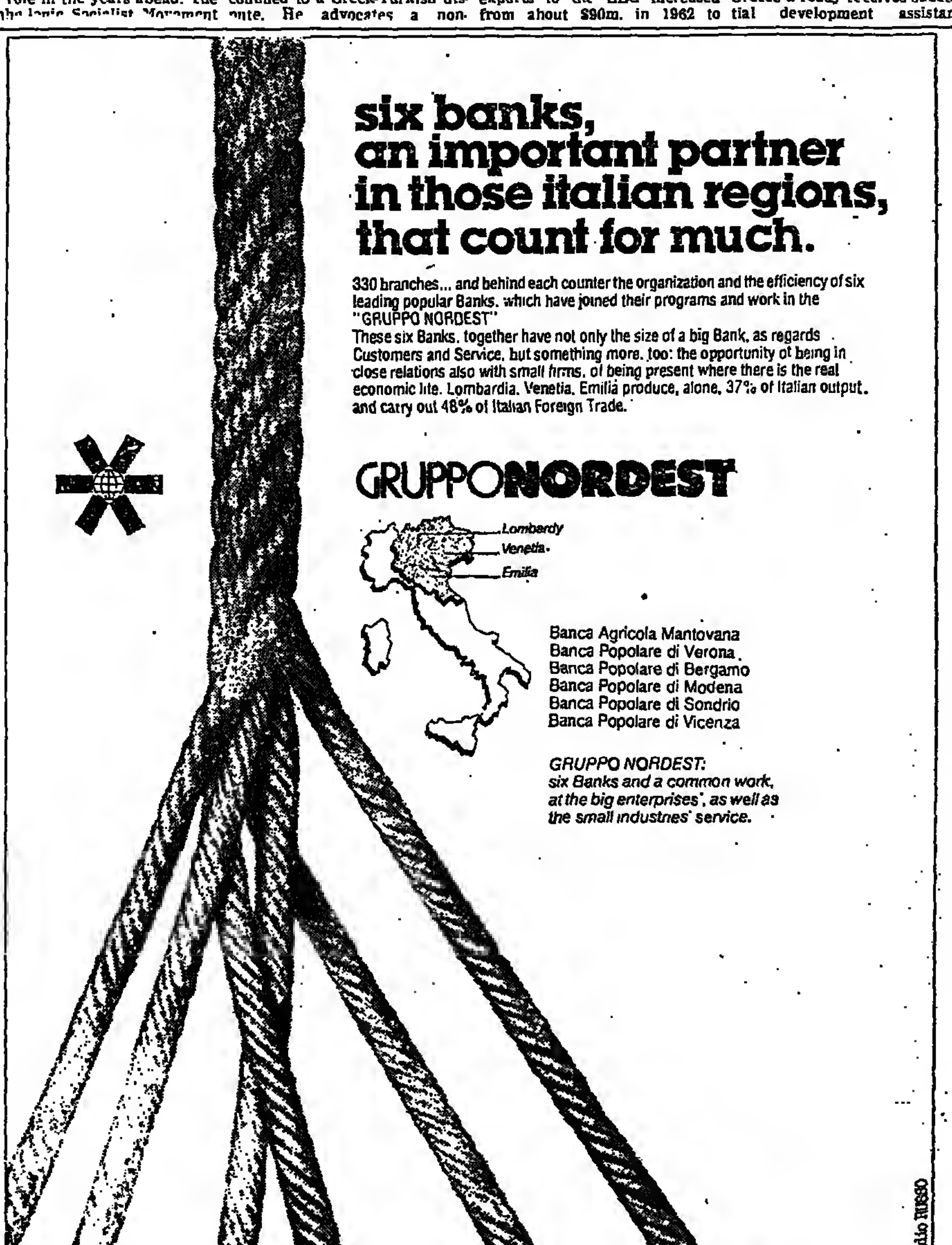
The other four seats in Parliament are held by the Eurocommunists and small soci[...] groups known together as t[...] Alliance and by the Neoliber[...] Party, who each have t[...] deputies.

Mr. Karamanlis' achievem[...] since his return have been c[...] siderable. He has lifted Gre[...] from the economic shambles [...] seven years of military mism[...] and, in any generally acceptab[...] sense, he has restored dem[...] cracy. National income will [...] crease by 5 per cent. this ye[...] compared with 6 per cent. [...] 1976 and 5.7 per cent. for 19[...] Inflation has been checked [...] around 12 per cent. this ye[...] and the balance of paymen[...] deficit is being limited to $1.1b[...] Hourly wages in indus[...] increased by 33.6 per cent. [...] 1975-77 and unemployment [...] limited to 1.5 per cent. [...] capita income will exceed $2,[...] this year. Private consumptio[...] increased from 390bn. drachm[...] ($10.8bn.) in 1973 to 640[...] drachmas ($17.8bn.) for the cu[...] rent year.

But because of the dispute with Turkey, defence expendi[...] ture is so high that it leave[...] little margin for the implemen[...] tation of a social policy. Defenc[...] expenditure increased from $416m. in 1973 to $1.5bn. thi[...] year, of which $550m. was i[...] foreign exchange. This type o[...] expenditure will continu[...] during the next five years, ea[...] ing away about a quarter of th[...] annual State budget.

The problem at home for M[...] Karamanlis is therefore how [...] streamline government admini[...] tration, reform the antiquate[...] educational system, moderni[...] national health, and upgra[...] agriculture (which occupies [...] per cent. of the population) [...] that he can prevent Gree[...] from slipping further into th[...] socialist camp.

By Our Athen[...] Corresponden[...]



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A new Government in Ireland has brought about a mood of optimism and a revival of economic activity and business confidence. The Government is hopeful of halving the inflation rate by the end of next year.

Ireland

IRELAND HAS for the past two years languished at the bottom of the EEC performance league; the only tables it has topped are the unenvied ones of unemployment and inflation. But 1977 has been a remarkable year for the Irish Republic, and the dramatic changes that have included a new Government have also brought about a mood of economic optimism. With some justification a senior Cabinet Minister in Mr. Jack Lynch's Fianna Fail Government claimed recently that Ireland now leads the EEC recovery league.

From slow beginnings at the start of this year, when realists in Dublin were facing up to a long haul back from the recession, economic activity and business confidence have snowballed. So much so that for 1978 the forecasters are almost unanimously pin-pointing GNP growth of around 7 per cent., and the Government is confidently maintaining that it will succeed in halving the present 14 per cent. inflation rate by the end of next year.

The temptation is to ascribe this turnround to Fianna Fail's landslide general election win in mid-June, for the party's image has traditionally been that of the "businessman's friend." To some extent it is true that the election result did give economic confidence a major boost, as the coalition Fine Gael-Labour Government was defeated—in common with most other European Governments that presided over the recession years—on economic issues. If, therefore, an electorate has ousted a Government because of its economic shortcomings it is only logical that it expresses confidence in its successor's policy plans.

The degree to which the coalition lost the election or Fianna Fail won it is open to argument, even though there is little question that the seeds of Ireland's coming boom were discernable by the spring of this year. A number of coalition Government Ministers, notably Dr. Garret Fitzgerald, who has since taken over from Mr. Liam Cosgrave as Fine Gael's leader, argued strongly in favour of an October election that would enable the coalition to take the credit for the expected improvement in the economy.

Had Mr. Cosgrave done so he might conceivably still be Prime Minister, enjoying his long-cherished ambition of being the first coalition Premier to win a second term. More probably, however, he would have kept his election defeat down to the marginal shifts that are usual in Ireland and Fianna Fail would be in power but without the massive 20-seat majority in the 148-seat Dail (lower house) that it now has.

The real point, however, is that the Lynch Government's attitude to economic management is inspiring new hope in Dublin. In contrast to the Cosgrave's Government's bland refusal to admit that the Republic has grave structural economic problems, Fianna Fail has been making a show of facing up to them. A new Ministry, the Department of Economic Planning and Development, has been set up under Dr. Martin O'Donoghue, whose underlying brief is to tackle Ireland's seemingly intractable unemployment problem. Although Dr. O'Donoghue is a newcomer to politics, having until his election to the Dail in June been a professor of economics, he is the architect of Fianna Fail's economic strategy. Dublin sceptics tend to look for strains and rivalries between O'Donoghue and Deputy Premier Mr. George Colley, the Finance Minister, and warn that the new co-ordinating and planning Ministry will suffer the same end as Britain's ill-fated Department of Economic Affairs. The more positive and realistic assessment, though, is that Mr. Lynch has directed his top talent into economic management. The approach is frequently contrasted with Mr. Cosgrave's, for he was alleged to have put Dr. Fitzgerald into the Foreign Affairs Department not out of concern with Ireland's role in the EEC but in order to deny him the political power-base of the Finance Ministry.

Unemployment

Unemployment remains the flaw in Ireland's economic recovery, and Dr. O'Donoghue is representative of a small but influential group inside Mr. Lynch's cabinet that argues that unless it is substantially reduced Fianna Fail could lose power by 1982. A number of his cabinet colleagues are unconvinced, believing that the 1973-77 coalition Government was a quirky hiccough that interrupted Fianna Fail's 14 years in office and that the party is now back in for a similarly long run.

The jobless figures make bad reading, however, and raise serious questions about Ireland's industrial development policies. Officially, the unemployment rate is now around 12 per cent. Unofficially, the true level is reckoned to be somewhere in the mid-teens once the factors of underemployment in rural areas and seasonal employment in agriculture and tourism are taken into account. There is in all this a strong element of adding up incalculables, but even the official figures give grounds for serious concern. Two fifths of Ireland's unemployed are under 25 years old, and that proportion is rising now that the Republic is beginning to feel the effects of its population explosion.

In 1971 the population was 3m., and between then and 1975 grew by 5 per cent. By next year it will be around 3.2m. and by 1986 could be near 3.8m. Emigration, Ireland's traditional safety valve, dried up in the early 1970s, and while it restarted on a small scale last year it is unlikely to expand much now that the Irish aspire to EEC standards of living within their own country. In job terms, the Republic needs 30,000 net new jobs a year over the coming decade, which is around three times Ireland's best year. Mr. Lynch only recently forecast 25,000 job creations for next year—and newly announced U.S. investments totalling £35m. should help spearhead the drive—but against these must be balanced job losses. In past years these have tended to outweigh the Industrial Development's Authority's efforts to attract job-creating investment, and this was presumably one of the factors that led an econometric model of the EEC member States to forecast Irish unemployment climbing steadily to 16.5 per cent. by 1980.

The signs are, though, that increased economic activity is cutting job losses back, while the new Government is thinking seriously about the need to emphasise labour-intensive industrial development rather than the capital-intensive projects that have predominated. Ireland's future to a very real extent depends on foreign investment, and while beggars can scarcely be too choosy, Dr. O'Donoghue's instincts for benign dirigism are tipped to result in a re-jigging of the investment incentive package.

The most striking aspect of Irish affairs this year has been not the scale of the turnround but the speed with which last year's spate of gloomy economic forecasts have been forgotten and replaced with successively more encouraging predictions. From initial 1977 estimates that inflation would remain at the previous year's 18 per cent. level, the forecasts dropped point-by-point to 14 per cent., while GN[...] projections began at just a ha[...] per cent. over the 1976 growth o[...] 3.5 per cent. and have settled a[...] 6 per cent. Mood is importa[...] in a small open economy such as Ireland's, which can respond quickly to world trading conditions, and it is only a slight exaggeration to say that the Irish currently see themselves as posed for a great leap for[...] ward that will help close the ga[...] between its living standards an[...] those of the EEC average. In[...] deed, some Irish politicians ten[...] to see the EEC Commission's proposal that Dublin's contribu[...] tion to the Community budget should be stepped up from its present £24m. to £43m. in 197[...] as an EEC seal of approval, eve[...] though Ireland will probably fight tooth and nail West Ger[...] man suggestions for a near-trip[...] ling of the contribution.

Clouds

Next year will doubtless see a quickening of the momentum that this summer and autumn saw Irish equities outperforming the London Stock Exchange, and with the return of boom conditions Irish support for the European ideals is likely to increase further. But there remain two clouds on the horizon. The end of the transition period of EEC membership in the new year will hit Ireland's very large agricultural sector hard after five years of vital support, and the Irish may well become less sanguine about Community enlargement. The other cloud has come from the Henley Centre for Forecasting which at the start of this year predicted that 1978 will see peak activity and economic performance, but went on to warn that by 1980 it will have declined to a new low.

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